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H. R. 4805

To protect the energy security of the United States and decrease America's dependency on foreign oil sources to 50 percent by the year 2010 by enhancing the use of renewable energy resources, conserving energy resources, improving energy efficiencies, and increasing domestic energy supplies, mitigating the effect of increases in energy prices on the American consumer, including the poor and elderly, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 29, 2000

Mr. WATKINS (for himself, Mr. THORNBERRY, Mr. SKEEN, Mr. SESSIONS, Mr. SMITH of Texas, Mr. COMBEST, and Mr. YOUNG of Alaska) introduced the following bill; which was referred to the Committee on Commerce, and in addition to the Committees on Resources, Ways and Means, and Science, 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 protect the energy security of the United States and decrease America's dependency on foreign oil sources to 50 percent by the year 2010 by enhancing the use of renewable energy resources, conserving energy resources, improving energy efficiencies, and increasing domestic energy supplies, mitigating the effect of increases in energy prices on the American consumer, including the poor and elderly, and for other purposes.

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''National Energy Security Act of 2000''.

SEC. 2. FINDINGS AND PURPOSES.

(a) FINDINGS.—The Congress finds that—

(1) increasing dependence on foreign sources of oil causes systemic harm to all sectors of the domestic United States economy, threatens National security, undermines the ability of Federal, state, and local units of government to provide essential services, and jeopardizes the peace, security, and welfare of the American people;

(2) dependence on imports of foreign oil was 46 percent in 1992, rose to more than 55 percent by the beginning of 2000, and is estimated by the Department of Energy to rise to 65 percent by 2020 unless current policies are altered;

(3) despite increased energy efficiencies, energy use in the United States is expected to increase 27 percent by 2020.

(4) the United States lacks a comprehensive national energy policy and has taken actions that limit

the availability and capability of the domestic energy sources of oil and gas, coal, nuclear and hydro;

(5) a comprehensive energy strategy needs to be developed to combat this trend, decrease the United States dependence on imported oil supplies and strengthen our national energy security;

(6) the goal of this comprehensive strategy must be to decrease the United States dependence on foreign oil supplies to not more than 50 percent by the year 2010;

(7) in order to meet this goal, this comprehensive energy strategy needs to be multi-faceted and include enhancing the use of renewable energy resources (including hydro, nuclear, solar, wind, and biomass), conserving energy resources (including improving energy efficiencies), and increasing domestic supplies of nonrenewable resources (including oil, natural gas, and coal);

(8) conservation efforts and alternative fuels alone will not enable America to meet this goal as conventional energy sources supply 96 percent of America's power at this time; and

(9) immediate actions also need to be taken in order to mitigate the effect of recent increases in oil

prices on the American consumer, including the poor and the elderly.

(b) PURPOSES.—The purposes of this Act are to protect the energy security of the United States by decreasing America's dependency on foreign oil sources to not more than 50 percent by the year 2010 by enhancing the use of renewable energy resources, conserving energy resources (including improving energy efficiencies), and increasing domestic energy supplies and to mitigate the immediate effect of increases in energy prices on the American consumer, including the poor and the elderly.

TITLE I—ENERGY SECURITY ACTIONS REQUIRED OF THE SECRETARY OF ENERGY

SEC. 101. ANNUAL REPORT ON UNITED STATES ENERGY INDEPENDENCE.

(a) REPORT.—Beginning on October 1, 2000, and annually thereafter, the Secretary of Energy, in consultation with the Secretary of Defense and the heads of other Federal agencies, shall submit a report to the President and the Congress which evaluates the progress the United States has made toward obtaining the goal of not more than 50 percent dependence on foreign oil sources by 2010. The Secretary shall adopt as interim goals, a reduc-

tion in dependence on oil imports to not more than 54 percent by 2005 and 52 percent by 2008.

(b) ALTERNATIVES.—The report submitted under subsection (a) shall specify any specific legislation or administrative actions necessary to meet the goal established under such subsection, and set forth a range of options and alternatives with a benefit/cost analysis for each option or alternative together with an estimate for the contribution that each option or alternative could make to reduce foreign oil imports. The report shall indicate, in detail, options and alternatives to—

(1) increase the use of renewable domestic energy sources, including conventional and non-conventional sources such as, but not limited to, increased hydroelectric generation at existing Federal facilities,

(2) conserve energy resources, including improving efficiencies and decreasing consumption, and

(3) increase domestic production and use of oil, natural gas, and coal, including any actions that would need to be implemented to provide access to, and transportation of, such energy resources.

(c) REFINERY CAPACITY.—As part of the reports submitted in 2000, 2005, and 2008, the Secretary of Energy shall examine and report on the condition of the do-

mestic refinery industry and the extent of domestic storage capacity for various categories of petroleum products and make such recommendations as such Secretary believes will enhance domestic capabilities to respond to short-term shortages of various fuels due to climate or supply interruptions.

SEC. 102. REPORT OF THE NATIONAL PETROLEUM COUNCIL.

The Secretary of Energy shall review the report of the National Petroleum Council submitted to him on December 15, 1999, and shall submit such report, together with any recommendations for administrative or legislative actions, to the President no later than September 30, 2000.

SEC. 103. INTERAGENCY WORK GROUP ON NATURAL GAS.

(a) INTERAGENCY WORK GROUP.—The Secretary of Energy shall establish an Interagency Work Group on Natural Gas (referred to as ''Group'' in this subsection) within the National Economic Council. The Group shall include representatives from each Federal agency that has a significant role in the development and implementation of natural gas policy, resource assessment, or technologies for natural gas exploration, production, transportation, and use.

(b) STRATEGY AND COMPREHENSIVE POLICY.—The Group shall develop a strategy and comprehensive policy for the use of natural gas as an essential component of overall national objectives of energy security, economic growth, and environmental protection. In developing the strategy and policy, the Group shall solicit and consider suggestions from States and local units of government, industry, and other non-Federal groups, organizations, or individuals possessing information or expertise in one or more areas under review by the Group. The policy shall recognize the significant lead times required for the development of additional natural gas supplies and the delivery infrastructure required to transport those supplies. The Group shall consider, but is not limited to, issues of access to and development of resources, transportation, technology development, environmental regulation and the associated economic and environmental costs of alternatives, education of future workforce, financial incentives related to exploration, production, transportation, development, and use of natural gas.

(c) REPORT.—Not later than 6 months after the date of the enactment of this Act, the Group shall submit a report to the Secretary of Energy setting forth its recommendations on a comprehensive policy for the use of

natural gas and the specific elements of a national strategy to achieve the objectives of the policy.

(d) SECRETARY REVIEW.—The Secretary of Energy shall review the report and, within 3 months, submit the report, together with any recommendations for administrative or legislative actions, to the President and the appropriate committees of the Congress.

(e) TRENDS.—The Group shall monitor trends for the assumptions used in developing its report, including the specific elements of a national strategy to achieve the objectives of the comprehensive policy, and shall advise the Secretary whenever it anticipates changes that might require alterations in the strategy.

(f) PROGRESS REPORT.—On June 1, 2002, and every two years thereafter, the Group shall submit a report to the President and the Congress evaluating the progress that has been made in the prior two years in implementing the strategy and accomplishing the objectives of the comprehensive policy.

TITLE II—AMENDMENTS TO ENERGY POLICY AND CONSERVATION ACT AND ACTIONS AFFECTING THE STRATEGIC PETROLEUM RESERVE

SEC. 201. AMENDMENTS TO TITLE I OF EPCA.

Title I of the Energy Policy and Conservation Act (42 U.S.C. 6211–6251) is amended—

(1) in section 161(h) (42 U.S.C. 6241), by—

(A) striking ''and'' at the end of (1)(A);

(B) striking '','' and inserting ''; and'' at the end of (1)(B);

(C) inserting after paragraph (B) the following new paragraph:

''(C) concurs in the determination of the Secretary of Defense that action taken under this subsection will not impair national security.''; and

(D) striking the period after ''Reserve'' at the end of paragraph (2) and inserting '', if the Secretary finds that action taken under this subsection will not have an adverse effect on the domestic petroleum industry.'';

(2) in section 166 (42 U.S.C. 6246), by—

(A) striking ''for fiscal year 2000'' and inserting ''2003''; and

(B) striking ''March 31, 2000'' and inserting ''December 31, 2001''; and

(3) in section 181 (42 U.S.C. 6251), by striking ''March 31, 2000'' each place it appears and inserting ''December 31, 2003''.

SEC. 202. AMENDMENTS TO TITLE II OF EPCA.

Title II of the Energy Policy and Conservation Act (42 U.S.C. 6261–6285) is amended—

(1) in section 256(h) (42 U.S.C. 6276(h)), by striking ''year 1997'' and inserting ''years 1997 through 2003''; and

(2) in section 281 (42 U.S.C. 6285), by striking 'March 31, 2000' each place it appears and inserting ''December 31, 2003''.

SEC. 203. STRATEGIC PETROLEUM RESERVE STUDY AND REPORT.

The President shall immediately establish an Interagency Panel on the Strategic Petroleum Study (referred to as the ''Panel'' in this section) to study oil markets and estimate the extent and frequency of fluctuations in the supply and price of, and demand for crude oil in the future and determine appropriate capacity of and uses for the Strategic Petroleum Reserve. The Panel may rec-

ommend changes in existing authorities to provide additional flexibility for and strengthen the ability of the Strategic Petroleum Reserve to respond to energy requirements. The Panel shall complete its study and submit a report containing its findings and any recommendations to the President and the Congress within six months from the date of enactment of this Act.

TITLE III—PROVISIONS TO PROTECT CONSUMERS AND LOW INCOME FAMILIES AND ENCOURAGE ENERGY EFFICIENCIES

SEC. 301. CHANGES IN WEATHERIZATION PROGRAM TO PROTECT LOW-INCOME PERSONS.

(a) The matter under the heading ''ENERGY CONSERVATION (INCLUDING TRANSFER OF FUNDS)'' in title II of the Department of the Interior and Related Agencies Appropriations Act, 2000 (113 Stat. 1535, 1501A–180), is amended by striking ''grants:'' and all that follows and inserting ''grants.''.

(b) Section 415 of the Energy Conservation and Production Act (42 U.S.C. 6865) is amended—

(1) in subsection (a)(1) by striking the first sentence;

(2) in subsection (a)(2) by—

(A) striking ''(A)'',

(B) striking ''approve a State's application to waive the 40 percent requirement established in paragraph (1) if the State includes in its plan'' and inserting ''establish'', and

(C) striking subparagraph (B);

(3) in subsection (c)(1) by—

(A) striking ''paragraphs (3) and (4)'' and inserting ''paragraph (3)'';

(B) striking ''$1,600'' and inserting ''$2,500'';

(C) striking ''and'' at the end of subparagraph (C);

(D) striking the period and inserting '', and'' in subparagraph (D); and

(E) inserting after subparagraph (D) the following new subparagraph:

''(E) the cost of making heating and cooling modifications, including replacement.'';

(4) in subsection (c)(3) by—

(A) striking ''1991, the $1,600 per dwelling unit limitation'' and inserting ''2000, the $2,500 per dwelling unit average'',

(B) striking ''limitation'' and inserting ''average'' each time it appears, and

(C) inserting ''the'' after ''begining of'' in subparagraph (B); and

(5) by striking subsection (c)(4).

SEC. 302. SUMMER FILL AND FUEL BUDGETING PROGRAMS.

(a) Part C of title II of the Energy Policy and Conservation Act (42 U.S.C. 6211 et seq.) is amended by adding at the end the following:

''SUMMER FILL AND FUEL BUDGETING PROGRAMS

''SEC. 273. (a) DEFINITIONS.—In this section:

''(1) BUDGET CONTRACT.—The term 'budget contract' means a contract between a retailer and a consumer under which the heating expenses of the consumer are spread evenly over a period of months.

''(2) FIXED-PRICE CONTRACT.—The term 'fixed-price contract' means a contract between a retailer and a consumer under which the retailer charges the consumer a set price for propane, kerosene, or heating oil without regard to market price fluctuations.

''(3) PRICE CAP CONTRACT.—The term 'price cap contract' means a contract between a retailer and a consumer under which the retailer charges the consumer the market price for propane, kerosene, or heating oil, but the cost of the propane, kerosene, or

heating oil may not exceed a maximum amount stated in the contract.

''(b) ASSISTANCE.—At the request of the chief executive officer of a State, the Secretary shall provide information, technical assistance, and funding—

''(1) to develop education and outreach programs to encourage consumers to fill their storage facilities for propane, kerosene, and heating oil during the summer months; and

''(2) to promote the use of budget contracts, price cap contracts, fixed-price contracts, and other advantageous financial arrangements;

to avoid severe seasonal price increases for and supply shortages of those products.

''(c) PREFERENCE.—In implementing this section, the Secretary shall give preference to States that contribute public funds or leverage private funds to develop State summer fill and fuel budgeting programs.

''(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section—

''(1) $25,000,000 for fiscal year 2001; and

''(2) such sums as are necessary for each fiscal year thereafter.

''(e) INAPPLICABILITY OF EXPIRATION PROVISION.—Section 281 shall not apply to this section.''.

(b) The table of contents in the first section of the Energy Policy and Conservation Act (42 U.S.C. prec. 6201) is amended by inserting after the item relating to section 272 the following:

''Sec. 273. Summer fill and fuel budgeting programs.''.

SEC. 303. ENERGY EFFICIENCY SCIENCE INITIATIVE.

There are authorized to be appropriated $25,000,000 for fiscal year 2001 and such sums as are necessary for each fiscal year thereafter for an Energy Efficiency Science Initiative to be managed by the Assistant Secretary for Energy Efficiency and Renewable Energy in consultation with the Director of the Office of Science, for grants to be competitively awarded and subject to peer review for research relating to energy efficiency. The Secretary of Energy shall submit to the Committee on Science and the Committee on Appropriations of the House of Representatives, and to the Committee on Energy and Natural Resources and the Committee on Appropriations of the Senate, an annual report on the activities of the Energy Efficiency Science Initiative, including a description of the process used to award the funds and an explanation of how the research relates to energy efficiency.

TITLE IV—PROVISIONS TO ENHANCE THE USE OF DOMESTIC ENERGY RESOURCES

Subtitle A—Hydroelectric Resources

SEC. 401. USE OF FEDERAL FACILITIES.

(a) The Secretary of the Interior and the Secretary of the Army shall each inventory all dams, impoundments, and other facilities under their jurisdiction.

(b) Based on this inventory and other information, the Secretary of the Interior and Secretary of the Army shall each submit a report to the Congress within six months from the date of enactment of this Act. Each report shall—

(1) Describe, in detail, each facility that is capable, with or without modification, of producing additional hydroelectric power. For each such facility, the report shall state the full potential for the facility to generate hydroelectric power, whether the facility is currently generating hydroelectric power, and the costs to install, upgrade, modify, or take other actions to increase the hydroelectric generating capability of the facility. For each facility that currently has hydroelectric generating equipment, the report shall indicate the condition of such equip-

ment, the maintenance requirements, and the schedule for any improvements as well as the purposes for which power is generated.

(2) Describe what actions are planned and underway to increase the hydroelectric production from facilities under his jurisdiction and shall include any recommendations the Secretary deems advisable to increase such production, reduce costs, and improve efficiency at Federal facilities, including, but not limited to, use of lease of power privilege and contracting with non-Federal entities for operation and maintenance.

SEC. 402. EXPEDITED FERC HYDROELECTRIC LICENSING PROCEDURES.

The Federal Energy Regulatory Commission shall immediately undertake a comprehensive review of policies, procedures and regulations for the licensing of hydroelectric projects to determine how to reduce the cost and time of obtaining a license. The Commission shall report its findings within six months of the date of enactment to the Congress, including any recommendations for legislative changes.

Subtitle B—Nuclear Resources

SEC. 410. NUCLEAR GENERATION.

The Chairman of the Nuclear Regulatory Commission shall submit a report to the Congress within 6 months from the date of enactment of this Act on the state of nuclear power generation and production in the United States and the potential for increasing nuclear generating capacity and production as part of this nation's energy mix. The report shall also review the status of the relicensing process for civilian nuclear power plants, including current and anticipated applications, and recommendations for improvements in the process, including recommendations for expediting the process and ensuring that relicensing is accomplished in a timely manner.

SEC. 411. NRC HEARING PROCEDURE.

Section 189(a)(1) of the Atomic Energy Act of 1954 (42 U.S.C. 2239(a)(1)) is amended by adding at the end the following—

''(C) A hearing under this section shall be conducted using informal adjudicatory procedures established under sections 553 and 555 of title 5, United States Code, unless the Commission determines that formal adjudicatory procedures are necessary—

''(i) to develop a sufficient record; or

''(ii) to achieve fairness.''.

Subtitle C—Development of a National Spent Nuclear Fuel Strategy

SEC. 415. FINDINGS.

The Congress makes the following findings:

(1) Prior to permanent closure of the geologic repository in Yucca Mountain, Congress must determine whether the spent fuel in the repository should be treated as waste subject to permanent burial or should be considered an energy resource that is needed to meet future energy requirements.

(2) Future use of nuclear energy may require construction of a second geologic repository unless Yucca Mountain can safely accommodate additional spent fuel. Improved spent fuel strategies may increase the capacity of Yucca Mountain.

(3) Prior to construction of any second permanent geologic repository, the nation's current plans for permanent burial of spent fuel should be reevaluated.

SEC. 416. OFFICE OF SPENT NUCLEAR FUEL RESEARCH.

(a) ESTABLISHMENT.—There is established an Office of Spent Nuclear Fuel Research (referred to as the ''Office'' in this section) within the Office of Nuclear Energy Science and Technology of the Department of Energy.

The Office shall be headed by the Associate Director of the Office of Nuclear Energy Science and Technology, who shall be a member of the Senior Executive Service appointed by the Director of the Office of Nuclear Energy Science and Technology and compensated at a rate determined by applicable law.

(b) ASSOCIATE DIRECTOR.—The Associate Director of the Office of Spent Nuclear Fuel Research shall be responsible for carrying out an integrated research, development, and demonstration program on technologies for treatment, recycling, and disposal of high-level nuclear radioactive waste and spent nuclear fuel, subject to the general supervision of the Secretary of Energy. The Associate Director of the Office shall report to the Director of the Office of Nuclear Energy Science and Technology. The first such Associate Director shall be appointed within 90 days of the date of enactment of this Act.

(c) GRANT AND CONTRACT AUTHORITY.—In carrying out the Secretary's responsibilities under this section, the Secretary may make grants or enter into contracts for the purposes of the research projects and activities described in subsection (d)(2).

(d)(1) DUTIES.—The Associate Director of the Office shall involve national laboratories, universities, the commercial nuclear industry, and other organizations to inves-

tigate technologies for the treatment, recycling, and disposal of spent nuclear fuel and high-level radioactive waste.

(2) The Associate Director of the Office shall:

(A) develop a research plan to provide recommendations by 2015 for the treatment, recycling, and disposal of spent nuclear fuel and high-level radioactive waste;

(B) identify technologies for the treatment, recycling, and disposal of spent nuclear fuel and high-level radioactive waste;

(C) conduct research and development activities on such technologies;

(D) ensure that all activities include as key objectives minimization of proliferation concerns and risk to health of the general public or site workers, as well as development of cost-effective technologies;

(E) require research on both reactor- and accelerator-based transmutation systems;

(F) require research on advanced processing and separations;

(G) encourage that research efforts include participation of international collaborators;

(H) be authorized to fund international collaborators when they bring unique capabilities not avail-

able in the United States and their host country is unable to provide for their support;

(I) ensure that research efforts with the Office are coordinated with research on advance fuel cycles and reactors conducted within the Office of Nuclear Energy Science and Technology.

(e) REPORT.—The Associate Director of the Office of Spent Nuclear Fuel Research shall annually prepare and submit a report to the Congress on the activities and expenditures of the Office, including the process that has been made to achieve the objectives of subsection (d)(2).

Subtitle D—Coal Resources

SEC. 420. COAL GENERATING CAPACITY.

The Secretary of Energy shall examine existing coal-fired power plants and submit a report to the Congress within six months from the enactment of this Act on the potential of such plants for increased generation and any impediments to achieving such increase. The report shall describe, in detail, options for improving the efficiency of these plants. The report shall include recommendations for a program of research, development, demonstration, and commercial application to develop economically and environmentally acceptable advanced technologies for current electricity generation facilities using coal as the primary feedstock, including commercial-scale applications of ad-

vanced clean coal technologies. The report shall also include an assessment of the costs to develop and demonstrate such technologies and the time required to undertake such development and demonstration.

SEC. 425. COAL LIQUEFACTION.

The Secretary of Energy shall provide grants for the refinement and demonstration of new technologies for the conversion of coal to liquids. Such grants shall be for the design and construction of an indirect liquefaction plant capable of production in commercial quantities. There are authorized to be appropriated for the purpose of this section such sums as may be necessary through fiscal year 2004 facilities be sited or modified so as to avoid unnecessary duplication of roads and pipelines. The regulations issued as required by section 504 of this title shall include provisions granting rights-of-way and easements across the Coastal Plain.

TITLE V—IMPROVEMENTS TO FEDERAL OIL AND GAS LEASE MANAGEMENT

SEC. 501. TITLE.

This title may be cited as the ''Federal Oil and Gas Lease Management Improvement Act of 2000''.

SEC. 502. DEFINITIONS.

In this title—

(1) APPLICATION FOR A PERMIT TO DRILL.—The term ''application for a permit to drill'' means a drilling plan including design, mechanical, and engineering aspects for drilling a well.

(2) FEDERAL LAND.—

(A) IN GENERAL.—The term ''Federal land'' means all land and interests in land owned by the United States that are subject to the mineral leasing laws, including mineral resources or mineral estates reserved to the United States in the conveyance of a surface or nonmineral estate.

(B) EXCLUSION.—The term ''Federal land'' does not include—

(i) Indian land (as defined in section 3 of the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1702)); or

(ii) submerged land on the outer Continental Shelf (as defined in section 2 of the Outer Continental Shelf Lands Act (43 U.S.C. 1331)).

(3) OIL AND GAS CONSERVATION AUTHORITY.—The term ''oil and gas conservation authority'' means the agency or agencies in each State respon-

sible for regulating for conservation purposes operations to explore for and produce oil and natural gas.

(4) PROJECT.—The term ''project'' means an activity by a lessee, an operator, or an operating rights owner to explore for, develop, produce, or transport oil or gas resources.

(5) SECRETARY.—The term ''Secretary'' means—

(A) the Secretary of the Interior, with respect to land under the administrative jurisdiction of the Department of the Interior; and

(B) the Secretary of Agriculture, with respect to land under the administrative jurisdiction of the Department of Agriculture.

(6) SURFACE USE PLAN OF OPERATIONS.—The term ''surface use plan of operations'' means a plan for surface use, disturbance, and reclamation.

SEC. 503. NO PROPERTY RIGHT.

Nothing in this title gives a State a property right or interest in any Federal lease or land.

Subtitle A—State Option To Regulate Oil and Gas Lease Operations on Federal Land

SEC. 510. TRANSFER OF AUTHORITY.

(a) NOTIFICATION.—On or after the date that is 180 days after the date of enactment of this Act, a State may notify the Secretary of its intent to accept authority for regulation of operations, as described in subparagraphs (A) through (K) of subsection (b)(2), under oil and gas leases on Federal land within the State.

(b) TRANSFER OF AUTHORITY.—

(1) IN GENERAL.—Effective 180 days after the Secretary receives the State's notice, authority for the regulation of oil and gas leasing operations is transferred from the Secretary to the State.

(2) AUTHORITY INCLUDED.—The authority transferred under paragraph (1) includes—

(A) processing and approving applications for permits to drill, subject to surface use agreements and other terms and conditions determined by the Secretary;

(B) production operations;

(C) well testing;

(D) well completion;

(E) well spacing;

(F) communization;

(G) conversion of a producing well to a water well;

(H) well abandonment procedures;

(I) inspections;

(J) enforcement activities; and

(K) site security.

(c) RETAINED AUTHORITY.—The Secretary shall—

(1) retain authority over the issuance of leases and the approval of surface use plans of operations and project-level environmental analyses; and

(2) spend appropriated funds to ensure that timely decisions are made respecting oil and gas leasing, taking into consideration multiple uses of Federal land, socioeconomic and environmental impacts, and the results of consultations with State and local government officials.

SEC. 511. ACTIVITY FOLLOWING TRANSFER OF AUTHORITY.

(a) FEDERAL AGENCIES.—Following the transfer of authority, no Federal agency shall exercise the authority formerly held by the Secretary as to oil and gas lease operations and related operations on Federal land.

(b) STATE AUTHORITY.—

(1) IN GENERAL.—Following the transfer of authority, each State shall enforce its own oil and gas

conservation laws and requirements pertaining to transferred oil and gas lease operations and related operations with due regard to the national interest in the expedited, environmentally sound development of oil and gas resources in a manner consistent with oil and gas conservation principles.

(2) APPEALS.—Following a transfer of authority under section 510, an appeal of any decision made by a State oil and gas conservation authority shall be made in accordance with State administrative procedures.

(c) PENDING ENFORCEMENT ACTIONS.—The Secretary may continue to enforce any pending actions respecting acts committed before the date on which authority is transferred to a State under section 510 until those proceedings are concluded.

(d) PENDING APPLICATIONS.—

(1) TRANSFER TO STATE.—All applications respecting oil and gas lease operations and related operations on Federal land pending before the Secretary on the date on which authority is transferred under section 510 shall be immediately transferred to the oil and gas conservation authority of the State in which the lease is located.

(2) ACTION BY THE STATE.—The oil and gas conservation authority shall act on the application in accordance with State laws (including regulations) and requirements.

Subtitle B—Use of Cost Savings From State Regulation

SEC. 521. COMPENSATION FOR COSTS.

(a) IN GENERAL.—Subject to the availability of appropriations, the Secretary shall compensate any State for costs incurred to carry out the authorities transferred under section 510.

(b) PAYMENT SCHEDULE.—Payments shall be made not less frequently than every quarter.

(c) COST BREAKDOWN REPORT.—Each State seeking compensation shall report to the Secretary a cost breakdown for the authorities transferred.

(d) LIMITATION ON AMOUNT.—

(1) IN GENERAL.—Compensation to a State may not exceed 50 percent of the Secretary's allocated cost for oil and gas leasing activities under section 35(b) of the Mineral Leasing Act (30 U.S.C. 191(b)) for the State for fiscal year 1997.

(2) ADJUSTMENT.—The Secretary shall adjust the maximum level of cost compensation at least once every 2 years to reflect any increases in the

Consumer Price Index (all items, United States city average) as prepared by the Department of Labor, using 1997 as the baseline year.

SEC. 522. EXCLUSION OF COSTS OF PREPARING PLANNING DOCUMENTS AND ANALYSES.

Section 35 of the Mineral Leasing Act (30 U.S.C. 191(b)) is amended by adding at the end the following:

''(6) The Secretary shall not include, for the purpose of calculating the deduction under paragraph (1), costs of preparing resource management planning documents and analyses for areas in which mineral leasing is excluded or areas in which the primary activity under review is not mineral leasing and development.''.

SEC. 523. RECEIPT SHARING.

Section 35(b)(1) of the Mineral Leasing Act (30 U.S.C. 191(b)(1)) is amended by striking ''paid to States'' and inserting ''paid to States (other than States that accept a transfer of authority under section 510 of the Federal Oil and Gas Lease Management Act of 2000)''.

Subtitle C—Streamlining and Cost Reduction

SEC. 531. APPLICATIONS.

(a) LIMITATION ON COST RECOVERY.—Notwithstanding sections 304 and 504 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1734, 1764) and

section 9701 of title 31, United State Code, the Secretary shall not recover the Secretary's costs with respect to applications and other documents relating to oil and gas leases.

(b) COMPLETION OF PLANNING DOCUMENTS AND ANALYSES.—

(1) IN GENERAL.—The Secretary shall complete any resource management planning documents and analyses not later than 90 days after receiving any offer, application, or request for which a planning document or analysis is required to be prepared.

(2) PREPARATION BY APPLICANT OR LESSEE.—If the Secretary is unable to complete the document or analysis within the time prescribed by paragraph (1), the Secretary shall notify the applicant or lessee of the opportunity to prepare the required document or analysis for the agency's review and use in decisionmaking.

(c) REIMBURSEMENT FOR COSTS OF NEPA ANALYSES, DOCUMENTATION, AND STUDIES.—If—

(1) adequate funding to enable the Secretary to timely prepare a project-level analysis required under the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.) with respect to an oil or gas lease is not appropriated; and

(2) the lessee, operator, or operating rights owner voluntarily pays for the cost of the required analysis, documentation, or related study;

the Secretary shall reimburse the lessee, operator, or operating rights owner for its costs through royalty credits attributable to the lease, unit agreement, or project area.

SEC. 532. TIMELY ISSUANCE OF DECISIONS.

(a) IN GENERAL.—The Secretary shall ensure the timely issuance of Federal agency decisions respecting oil and gas leasing and operations on Federal land.

(b) OFFER TO LEASE.—

(1) DEADLINE.—The Secretary shall accept or reject an offer to lease not later than 90 days after the filing of the offer.

(2) FAILURE TO MEET DEADLINE.—If an offer is not acted upon within that time, the offer is deemed to have been accepted.

(c) APPLICATION FOR PERMIT TO DRILL.—

(1) DEADLINE.—The Secretary and a State that has accepted a transfer of authority under section 510 shall approve or disapprove an application for permit to drill not later than 30 days after receiving a complete application.

(2) FAILURE TO MEET DEADLINE.—If the application is not acted on within the time prescribed

by paragraph (1), the application is deemed to have been approved.

(d) SURFACE USE PLAN OF OPERATIONS.—The Secretary shall approve or disapprove a surface use plan of operations not later than 30 days after receipt of a complete plan.

(e) ADMINISTRATIVE APPEALS.—

(1) DEADLINE.—From the time that a Federal oil and gas lessee or operator files a notice of administrative appeal of a decision or order of an officer or employee of the Department of the Interior or the Forest Service respecting a Federal oil and gas Federal lease, the Secretary shall have 2 years in which to issue a final decision in the appeal.

(2) FAILURE TO MEET DEADLINE.—If no final decision has been issued within the time prescribed by paragraph (1), the appeal is deemed to have been granted.

SEC. 533. ELIMINATION OF UNWARRANTED DENIALS AND STAYS.

(a) IN GENERAL.—The Secretary shall ensure that unwarranted denials and stays of lease issuance and unwarranted restrictions on lease operations are eliminated from the administration of oil and gas leasing on Federal land.

(b) LAND DESIGNATED FOR MULTIPLE USE.—

(1) IN GENERAL.—Land designated as available for multiple use under Bureau of Land Management resource management plans and Forest Service leasing analyses shall be available for oil and gas leasing without lease stipulations more stringent than restrictions on surface use and operations imposed under the laws (including regulations) of the State in which the lands are located unless the Secretary includes in the decision approving the management plan or leasing analysis a written explanation why more stringent stipulations are warranted.

(2) APPEAL.—Any decision to require a more stringent stipulation shall be administratively appealable and, following a final agency decision, shall be subject to judicial review.

(c) REJECTION OF OFFER TO LEASE.—

(1) IN GENERAL.—If the Secretary rejects an offer to lease on the ground that the land is unavailable for leasing, the Secretary shall provide a written, detailed explanation of the reasons the land is unavailable for leasing.

(2) PREVIOUS RESOURCE MANAGEMENT DECISION.—If the determination of unavailability is based on a previous resource management decision,

the explanation shall include a careful assessment of whether the reasons underlying the previous decision are still persuasive.

(3) SEGREGATION OF AVAILABLE LAND FROM UNAVAILABLE LAND.—The Secretary may not reject an offer to lease land available for leasing on the ground that the offer includes land unavailable for leasing, and the Secretary shall segregate available land from unavailable land, on the offeror's request following notice by the Secretary, before acting on the offer to lease.

(d) DISAPPROVAL OR REQUIRED MODIFICATION OF SURFACE USE PLANS OF OPERATIONS AND APPLICATION FOR PERMIT TO DRILL.—The Secretary shall provide a written, detailed explanation of the reasons for disapproving or requiring modifications of any surface use plan of operations or application for permit to drill.

(e) EFFECTIVENESS OF DECISION.—A decision of the Secretary respecting an oil and gas lease shall be effective pending administrative appeal to the appropriate office within the Department of the Interior or the Department of Agriculture unless that office grants a stay in response to a petition satisfying the criteria for a stay established by section 4.21(b) of title 43, Code of Federal Regulations (or any successor regulation).

SEC. 534. REPORTS.

(a) IN GENERAL.—Not later than March 31, 2001, the Secretaries shall jointly submit to the Congress a report explaining the most efficient means of eliminating overlapping jurisdiction, duplication of effort, and inconsistent policymaking and policy implementation as between the Bureau of Land Management and the Forest Service.

(b) RECOMMENDATIONS.—The report shall include recommendations on statutory changes needed to implement the report's conclusions.

SEC. 535. SCIENTIFIC INVENTORY OF OIL AND GAS RESERVES.

(a) IN GENERAL.—Not later than March 31, 2001, the Secretary of the Interior, in consultation with the Director of the United States Geological Survey, shall publish, through notice in the Federal Register, a science-based national inventory of the oil and gas reserves and potential resources underlying Federal land and the Outer Continental Shelf.

(b) CONTENTS.—The inventory shall—

(1) indicate what percentage of the oil and gas reserves and resources is currently available for leasing and development;

(2) specify the percentages of the reserves and resources that are on—

(A) land that is open for leasing as of the date of enactment of this Act that has never been leased;

(B) land that is open for leasing or development subject to no surface occupancy stipulations; and

(C) land that is open for leasing or development subject to other lease stipulations that have significantly impeded or prevented, or are likely to significantly impede or prevent, development; and

(3) indicate the percentage of oil and gas resources that are not available for leasing or are withdrawn from leasing.

(c) PUBLIC COMMENT.—

(1) IN GENERAL.—The Secretary of the Interior shall invite public comment on the inventory to be filed not later than September 30, 2001.

(2) RESOURCE MANAGEMENT DECISIONS.—Specifically, the Secretary of the Interior shall invite public comment on the effect of Federal resource management decisions on past and future oil and gas development.

(d) REPORT.—

(1) IN GENERAL.—Not later than March 31, 2002, the Secretary of the Interior shall submit to the President of the Senate and the Speaker of the House of Representatives a report comprised of the revised inventory and responses to the public comments.

(2) CONTENTS.—The report shall specifically indicate what steps the Secretaries believe are necessary to increase the percentage of land open for development of oil and gas resources.

Subtitle D—Federal Royalty Certainty

SEC. 541. DEFINITIONS.

In this subtitle:

(1) MARKETABLE CONDITION.—The term ''marketable condition'' means lease production that is sufficiently free from impurities and otherwise in a condition that the production will be accepted by a purchaser under a sales contract typical for the field or area.

(2) REASONABLE COMMERCIAL RATE.—

(A) IN GENERAL.—The term ''reasonable commercial rate'' means—

(i) in the case of an arm's-length contract, the actual cost incurred by the lessee; or

(ii) in the case of a non-arm's-length contract—

(I) the rate charged in a contract for similar services in the same area between parties with opposing economic interests; or

(II) if there are no arm's-length contracts for similar services in the same area, the just and reasonable rate for the transportation service rendered by the lessee or lessee's affiliate.

(B) DISPUTES.—Disputes between the Secretary and a lessee over what constitutes a just and reasonable rate for such service shall be resolved by the Federal Energy Regulatory Commission.

SEC. 542. AMENDMENT OF OUTER CONTINENTAL SHELF LANDS ACT.

Section 8(b)(3) of the Outer Continental Shelf Lands Act (43 U.S.C. 1337(b)(3)) is amended by striking the semicolon at the end and inserting the following: ": *Pro-*

vided, That if the payment is in value or amount, the royalty due in value shall be based on the value of oil or gas production at the lease in marketable condition, and the royalty due in amount shall be based on the royalty share of production at the lease; and if the payment in value or amount is calculated from a point away from the lease, the payment shall be adjusted for quality and location differentials, and the lessee shall be allowed reimbursements at a reasonable commercial rate for transportation (including transportation to the point where the production is put in marketable condition), marketing, processing, and other services beyond the lease through the point of sale, other disposition, or delivery;''.

SEC. 543. AMENDMENT OF MINERAL LEASING ACT.

Section 17(c) of the Mineral Leasing Act (30 U.S.C. 226(c)) is amended by adding at the end the following:

''(3) ROYALTY DUE IN VALUE.—

''(A) IN GENERAL.—Royalty due in value shall be based on the value of oil or gas production at the lease in marketable condition, and the royalty due in amount shall be based on the royalty share of production at the lease.

''(B) CALCULATION OF VALUE OR AMOUNT FROM A POINT AWAY FROM A LEASE.—If the

payment in value or amount is calculated from a point away from the lease—

"(i) the payment shall be adjusted for quality and location differentials; and

"(ii) the lessee shall be allowed reimbursements at a reasonable commercial rate for transportation (including transportation to the point where the production is put in marketable condition), marketing, processing, and other services beyond the lease through the point of sale, other disposition, or delivery;".

SEC. 544. INDIAN LAND.

This subtitle shall not apply with respect to Indian land.

Subtitle E—Royalty Reinvestment in America

SEC. 551. ROYALTY INCENTIVE PROGRAM.

(a) IN GENERAL.—To encourage exploration and development expenditures on Federal land and the Outer Continental Shelf for the development of oil and gas resources when the cash price of West Texas Intermediate crude oil, as posted on the Dow Jones Commodities Index chart, is less than $18 per barrel for 90 consecutive pricing days or when natural gas prices as delivered at Henry

Hub, Louisiana, are less than $2.30 per million British thermal units for 90 consecutive days, the Secretary shall allow a credit against the payment of royalties on Federal oil production and gas production, respectively, in an amount equal to 20 percent of the capital expenditures made on exploration and development activities on Federal oil and gas leases.

(b) NO CREDITING AGAINST ONSHORE FEDERAL ROYALTY OBLIGATIONS.—In no case shall such capital expenditures made on Outer Continental Shelf leases be credited against onshore Federal royalty obligations.

SEC. 552. MARGINAL WELL PRODUCTION INCENTIVES.

To enhance the economics of marginal oil and gas production by increasing the ultimate recovery from marginal wells when the cash price of West Texas Intermediate crude oil, as posted on the Dow Jones Commodities Index chart, is less than $18 per barrel for 90 consecutive pricing days or when natural gas prices are delivered at Henry Hub, Louisiana, are less than $2.30 per million British thermal units for 90 consecutive days, the Secretary shall reduce the royalty rate as production declines for—

(1) onshore oil wells producing less than 30 barrels per day;

(2) onshore gas wells producing less than 120 million British thermal units per day;

(3) offshore oil wells producing less than 300 barrels of oil per day; and

(4) offshore gas wells producing less than 1,200 million British thermal units per day.

SEC. 553. SUSPENSION OF PRODUCTION ON OIL AND GAS OPERATIONS.

(a) IN GENERAL.—Any person operating an oil well under a lease issued under the Mineral Leasing Act (30 U.S.C. 181 et seq.) or the Mineral Leasing Act for Acquired Lands (30 U.S.C. 351 et seq.) may submit a notice to the Secretary of the Interior of suspension of operation and production at the well.

(b) PRODUCTION QUANTITIES NOT A FACTOR.—A notice under subsection (a) may be submitted without regard to per day production quantities at the well and without regard to the requirements of subsection (a) of section 3103.4–4 of title 43 of the Code of Federal Regulations (or any successor regulation), respecting the granting of such relief, except that the notice shall be submitted to an office in the Department of the Interior designated by the Secretary of the Interior.

(c) PERIOD OF RELIEF.—On submission of a notice under subsection (a) for an oil well, the operator of the

well may suspend operation and production at the well for a period beginning on the date of submission of the notice and ending on the later of—

(1) the date that is 2 years after the date on which the suspension of operation and production commences; or

(2) the date on which the cash price of West Texas Intermediate crude oil, as posted on the Dow Jones Commodities Index chart, is greater than $15 per barrel for 90 consecutive pricing days.

TITLE VI—FRONTIER OIL AND GAS EXPLORATION AND DEVELOPMENT INCENTIVES

SEC. 601. TITLE.

This title may be cited as the ''Frontier Exploration and Development Incentives Act of 2000''.

SEC. 602. AMENDMENTS TO THE OUTER CONTINENTAL SHELF LANDS ACT.

(a) CASH BONUS BID FIXED SHARE OF NET PROFITS.—Section 8(a)(1)(D) of the Outer Continental Shelf Lands Act, (43 U.S.C. 1337(a)(1)(D)) is amended by striking ''area;'' and inserting ''area, except that for production in the Beaufort Sea and Chukchi Sea Planning Areas of Alaska the Secretary is authorized to set the net profit share at 16⅔ percent;''.

(b) Section 8(a) of the Outer Continental Shelf Lands Act (43 U.S.C. 1337(a)) is amended by adding at the end the following:

''(10)(A) After an oil and gas lease is granted pursuant to any of the bidding systems under paragraph (1), the Secretary shall reduce any future royalty or rental obligation of the lessee on any lease issued by the Secretary (and proposed by the lessee for such reduction) by an amount equal to—

''(i) 10 percent of the qualified costs of exploratory wells drilled or geophysical work performed on any lease issued by the Secretary, whichever is greater, pursuant to this Act in the Beaufort Sea and Chukci Sea Planning Areas of Alaska; plus

''(ii) an additional 10 percent of the qualified costs of any such exploratory wells that are located ten or more miles from another well drilled for oil and gas.

''(B) For purposes of this paragraph:

''(i) The term 'qualified costs' means the costs allocated to the exploratory well or geophysical work in support of an exploration program pursuant to section 263(j) the Internal Revenue Code of 1986.

''(ii) The term 'exploratory well' means either an exploratory well as defined by the United States

Securities and Exchange Commission in section 2100.4–10(a)(10) of title 17, Code of Federal Regulations, or a well three or more miles from any oil or gas well or a pipeline that transports oil or gas to a market or terminal.

''(iii) The term 'geophysical work' means all geophysical data gathering methods used in hydrocarbon exploration and includes seismic, gravity, magnetic, and electromagnetic measurements.

''(C) For purposes of this paragraph, all distances shall be measured in horizontal distance. If a measurement beginning or ending point is a well, the measurement point shall be the bottom hole location of that well.''.

TITLE VII—TAX MEASURES TO ENHANCE DOMESTIC OIL AND GAS PRODUCTION

Subtitle A—Marginal Well Preservation

SEC. 701. SHORT TITLE; PURPOSE.

(a) SHORT TITLE.—This subtitle may be cited as the ''Marginal Well Preservation Act of 2000''.

(b) PURPOSE.—The purpose of section 702 is to prevent the abandonment of marginal oil and gas wells responsible for half of the domestic production of oil and gas in the United States and of section 703 is to recognize

that geological and geophysical expenditures and delay rentals are ordinary and necessary business expenses that should be deducted in the year the expense is incurred.

SEC. 702. TAX CREDIT FOR MARGINAL DOMESTIC OIL AND NATURAL GAS WELL PRODUCTION.

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

"SEC. 45D. CREDIT FOR PRODUCING OIL AND GAS FROM MARGINAL WELLS.

''(a) GENERAL RULE.—For purposes of section 38, the marginal well production credit for any taxable year is an amount equal to the product of—

''(1) the credit amount, and

''(2) the qualified crude oil production and the qualified natural gas production which is attributable to the taxpayer.

''(b) CREDIT AMOUNT.—For purposes of this section—

''(1) IN GENERAL.—The credit amount is—

''(A) $3 per barrel of qualified crude oil production, and

''(B) 50 cents per 1,000 cubic feet of qualified natural gas production.

''(2) REDUCTION AS OIL AND GAS PRICES INCREASE.—

''(A) IN GENERAL.—The $3 and 50 cents amounts under paragraph (1) shall each be reduced (but not below zero) by an amount which bears the same ratio to such amount (determined without regard to this paragraph) as—

''(i) the excess (if any) of the applicable reference price over $14 ($1.56 for qualified natural gas production), bears to

''(ii) $3 ($0.33 for qualified natural gas production).

The applicable reference price for a taxable year is the reference price for the calendar year preceding the calendar year in which the taxable year begins.

''(B) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2000, each of the dollar amounts contained in subparagraph (A) shall be increased to an amount equal to such dollar amount multiplied by the inflation adjustment factor for such calendar year (determined under section 43(b)(3)(B) by substituting '2000' for '1990').

''(C) REFERENCE PRICE.—For purposes of this paragraph, the term 'reference price' means, with respect to any calendar year—

''(i) in the case of qualified crude oil production, the reference price determined under section 29(d)(2)(C), and

''(ii) in the case of qualified natural gas production, the Secretary's estimate of the annual average wellhead price per 1,000 cubic feet for all domestic natural gas.

''(c) QUALIFIED CRUDE OIL AND NATURAL GAS PRODUCTION.—For purposes of this section—

''(1) IN GENERAL.—The terms 'qualified crude oil production' and 'qualified natural gas production' mean domestic crude oil or natural gas which is produced from a marginal well.

''(2) LIMITATION ON AMOUNT OF PRODUCTION WHICH MAY QUALIFY.—

''(A) IN GENERAL.—Crude oil or natural gas produced during any taxable year from any well shall not be treated as qualified crude oil production or qualified natural gas production to the extent production from the well during

the taxable year exceeds 1,095 barrels or barrel equivalents.

"(B) PROPORTIONATE REDUCTIONS.—

"(i) SHORT TAXABLE YEARS.—In the case of a short taxable year, the limitations under this paragraph shall be proportionately reduced to reflect the ratio which the number of days in such taxable year bears to 365.

"(ii) WELLS NOT IN PRODUCTION ENTIRE YEAR.—In the case of a well which is not capable of production during each day of a taxable year, the limitations under this paragraph applicable to the well shall be proportionately reduced to reflect the ratio which the number of days of production bears to the total number of days in the taxable year.

"(3) DEFINITIONS.—

"(A) MARGINAL WELL.—The term 'marginal well' means a domestic well—

"(i) the production from which during the taxable year is treated as marginal production under section 613A(c)(6), or

"(ii) which, during the taxable year—

''(I) has average daily production of not more than 25 barrel equivalents, and

''(II) produces water at a rate not less than 95 percent of total well effluent.

''(B) CRUDE OIL, ETC.—The terms 'crude oil', 'natural gas', 'domestic', and 'barrel' have the meanings given such terms by section 613A(e).

''(C) BARREL EQUIVALENT.—The term 'barrel equivalent' means, with respect to natural gas, a conversion ratio of 6,000 cubic feet of natural gas to 1 barrel of crude oil.

''(d) OTHER RULES.—

''(1) PRODUCTION ATTRIBUTABLE TO THE TAXPAYER.—In the case of a marginal well in which there is more than one owner of operating interests in the well and the crude oil or natural gas production exceeds the limitation under subsection (c)(2), qualifying crude oil production or qualifying natural gas production attributable to the taxpayer shall be determined on the basis of the ratio which taxpayer's revenue interest in the production bears to

the aggregate to the revenue interests of all operating interest owners in the production.

''(2) OPERATING INTEREST REQUIRED.—Any credit under this section may be claimed only on production which is attributable to the holder of an operating interest.

''(3) PRODUCTION FROM NONCONVENTIONAL SOURCES EXCLUDED.—In the case of production from a marginal well which is eligible for the credit allowed under section 29 for the taxable year, no credit shall be allowable under this section unless the taxpayer elects not to claim credit under section 29 with respect to the well.''.

(b) CREDIT TREATED AS BUSINESS CREDIT.—Section 38(b) of such Code is amended by striking ''plus'' at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting'', plus'', and by adding at the end of the following new paragraph:

''(13) the marginal oil and gas well production credit determined under section 45D(a).''.

(c) CREDIT ALLOWED AGAINST REGULAR AND MINIMUM TAX.—

(1) IN GENERAL.—Subsection (c) of section 38 of such Code (relating to limitation based on amount of tax) is amended by redesignating paragraph (3)

as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

''(3) SPECIAL RULES FOR MARGINAL OIL AND GAS WELL PRODUCTION CREDIT.—

''(A) IN GENERAL.—In the case of the marginal oil and gas well production credit—

''(i) this section and section 39 shall be applied separately with respect to the credit, and

''(ii) in applying paragraph (1) to the credit—

''(I) subparagraphs (A) and (B) thereof shall not apply, and

''(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the marginal oil and gas well production credit).

''(B) MARGINAL OIL AND GAS WELL PRODUCTION CREDIT.—For purposes of this subsection, the term 'marginal oil and gas well production credit' means the credit allowable under subsection (a) by reason of section 45D(a).''.

(2) CONFORMING AMENDMENT.—Subclause (II) of section 38(c)(2)(A)(ii) of such Code is amended by inserting ''or the marginal oil and gas well production credit'' after ''employment credit''.

(d) CARRYBACK.—Subsection (a) of section 39 of such Code (relating to carryback and carryforward of unused credits generally) is amended by adding at the end the following new paragraph:

''(3) 10-YEAR CARRYBACK FOR MARGINAL OIL AND GAS WELL PRODUCTION CREDIT.—In the case of the marginal oil and gas well production credit—

''(A) this section shall be applied separately from the business credit (other than the marginal oil and gas well production credit),

''(B) paragraph (1) shall be applied by substituting '10 taxable year' for '1 taxable year' in subparagraph (A) thereof, and

''(C) paragraph (2) shall be applied—

''(i) by substituting '31 taxable years' for '21 taxable years' in subparagraph (A) thereof, and

''(ii) by substituting '30 taxable years' for '20 taxable years' in subparagraph (B) thereof.''.

(e) COORDINATION WITH SECTION 29.—Section 29(a) of such Code is amended by striking ''There'' and inserting ''At the election of the taxpayer, there.''

(f) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by adding at the end the following item:

''Sec. 45D. Credit for producing oil and gas from marginal wells.''

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to production in taxable years beginning after December 31, 2000.

SEC. 703. ELECTION TO EXPENSE GEOLOGICAL AND GEOPHYSICAL EXPENDITURES AND DELAY RENTAL PAYMENTS.

(a) GEOLOGICAL AND GEOPHYSICAL EXPENDITURES FOR OIL AND WELLS.—

(1) IN GENERAL.—Section 263 of the Internal Revenue Code of 1986 (relating to capital expenditures) is amended by adding at the end the following new subsection:

''(j) GEOLOGICAL AND GEOPHYSICAL EXPENDITURES FOR OIL AND WELLS.—Notwithstanding subsection (a), a taxpayer may elect to treat geological and geophysical expenses incurred in connection with the exploration for, or development of, oil or gas as expenses which are not chargeable to capital account. Any expenses

so treated shall be allowed as a deduction in the taxable year in which paid or incurred.''.

(2) CONFORMING AMENDMENT.—Section 263A(c)(3) of such Code is amended by inserting ''263(j),'' after ''263(i),''.

(3) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendments made by this subsection shall apply to expenses paid or incurred after the date of the enactment of this Act.

(B) TRANSITION RULE.—In the case of any expenses described in section 263(j) of the Internal Revenue Code of 1986, as added by this subsection, which were paid or incurred on or before the date of the enactment of this Act, the taxpayer may elect, at such time and in such manner as the Secretary of the Treasury may prescribe, to amortize the suspended portion of such expenses over the 36-month period beginning with the month in which the date of the enactment of this Act occurs. For purposes of this subparagraph, the suspended portion of any expense is that portion of such expense which, as of the first day of the 36-month pe-

riod, has not been included in the cost of a property or otherwise deducted.

(b) DELAY RENTAL PAYMENTS FOR DOMESTIC OIL AND GAS WELLS.—

(1) IN GENERAL.—Section 263 of such Code (relating to capital expenditures), as amended by subsection (a)(1), is amended by adding at the end the following new subsection:

''(k) DELAY RENTAL PAYMENTS FOR DOMESTIC OIL AND GAS WELLS.—

''(1) IN GENERAL.—Notwithstanding subsection (a), a taxpayer may elect to treat delay rental payments incurred in connection with the development of oil or gas within the United States (as defined in section 638) as payments which are not chargeable to capital account. Any payments so treated shall be allowed as a deduction in the taxable year in which paid or incurred.

''(2) DELAY RENTAL PAYMENTS.—For purposes of paragraph (1), the term 'delay rental payment' means an amount paid for the privilege of deferring the drilling of an oil or gas well under an oil or gas lease.''.

(2) CONFORMING AMENDMENT.—Section 263A(c)(3) of such Code, as amended by subsection

(a)(2), is amended by inserting ''263(k),'' after ''263(j),''.

(3) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendments made by this subsection shall apply to payments made or incurred after the date of the enactment of this Act.

(B) TRANSITION RULE.—In the case of any payments described in section 263(k) of the Internal Revenue Code of 1986, as added by this subsection, which were made or incurred on or before the date of the enactment of this Act, the taxpayer may elect, at such time and in such manner as the Secretary of the Treasury may prescribe, to amortize the suspended portion of such payments over the 36-month period beginning with the month in which the date of the enactment of this Act occurs. For purposes of this subparagraph, the suspended portion of any payment is that portion of such payment which, as of the first day of the 36-month period, has not been included in the cost of a property or otherwise deducted.

Subtitle B—Independent Oil and Gas Producers

SEC. 711. 5-YEAR NET OPERATING LOSS CARRYBACK FOR LOSSES ATTRIBUTABLE TO OPERATING MINERAL INTERESTS OF INDEPENDENT OIL AND GAS PRODUCERS.

(a) IN GENERAL.—Paragraph (1) of section 172(b) of the Internal Revenue Code of 1986 (relating to years to which loss may be carried) is amended by adding at the end the following new subparagraph:

''(H) LOSSES ON OPERATING MINERAL INTERESTS OF INDEPENDENT OIL AND GAS PRODUCERS.—In the case of a taxpayer—

''(i) which has an eligible oil and gas loss (as defined in subsection (j)) for a taxable year, and

''(ii) which is not an integrated oil company (as defined in section 291(b)(4)), such eligible oil and gas loss shall be a net operating loss carryback to each of the 5 taxable years preceding the taxable year of such loss.''.

(b) ELIGIBLE OIL AND GAS LOSS.—Section 172 of such Code is amended by redesignating subsection (j) as

subsection (k) and by inserting after subsection (i) the following new subsection—

''(j) ELIGIBLE OIL AND GAS LOSS.—For purposes of this section—

''(1) IN GENERAL.—The term 'eligible oil and gas loss' means the lesser of—

''(A) the amount which would be the net operating loss for the taxable year if only income and deductions attributable to operating mineral interests (as defined in section 614(d)) in oil and gas wells are taken into account, or

''(B) the amount of the net operating loss for such taxable year.

''(2) COORDINATION WITH SUBSECTION (b)(2).—For purposes of applying subsection (b)(2), an eligible oil and gas loss for any taxable year shall be treated in a manner similar to the manner in which a specified liability loss is treated.

''(3) ELECTION.—Any taxpayer entitled to a 5-year carryback under subsection (b)(1)(H) from any loss year may elect to have the carryback period with respect to such loss year determined without regard to subsection (b)(1)(H).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to net operating losses for taxable years beginning after December 31, 1999.

SEC. 712. TEMPORARY SUSPENSION OF LIMITATION BASED ON 65 PERCENT OF TAXABLE INCOME AND EXTENSION OF SUSPENSION OF TAXABLE INCOME LIMIT WITH RESPECT TO MARGINAL PRODUCTION.

(a) LIMITATION BASED ON 65 PERCENT OF TAXABLE INCOME.—Subsection (d) of section 613A of the Internal Revenue Code of 1986 (relating to limitation on percentage depletion in case of oil and gas wells) is amended by adding at the end the following new paragraph:

''(6) TEMPORARY SUSPENSION OF TAXABLE INCOME LIMIT.—Paragraph (1) shall not apply to taxable years beginning after December 31, 1999, and before January 1, 2006, including with respect to amounts carried under the second sentence of paragraph (1) to such taxable years.''.

(b) EXTENSION OF SUSPENSION OF TAXABLE INCOME LIMIT WITH RESPECT TO MARGINAL PRODUCTION.—Subparagraph (H) of section 613A(c)(6) of such Code (relating to temporary suspension of taxable income limit with respect to marginal production) is amended by striking ''2002'' and inserting ''2006''.

(c) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1999.

Subtitle C—Other Provisions

SEC. 721. REPEAL OF REQUIREMENT OF CERTAIN APPROVED TERMINALS TO OFFER DYED DIESEL FUEL AND KEROSENE FOR NONTAXABLE PURPOSES.

Section 4101 of the Internal Revenue Code of 1986 (relating to certain approved terminals of registered persons required to offer dyed diesel fuel and kerosene for nontaxable purposes) is amended by striking subsection (e).

SEC. 722. CLARIFICATION OF QUALIFIED TERTIARY INJECTANT EXPENSES FOR PURPOSES OF THE ENHANCED OIL RECOVERY CREDIT.

(a) IN GENERAL.—Subparagraph (C) of section 43(c)(1) of the Internal Revenue Code of 1986 (defining qualified enhanced oil recovery costs) is amended to read as follows:

"(C) Any qualified tertiary injectant expenses (as defined in section 193(b)(1)) which are paid or incurred during the taxable year in connection with a qualified enhanced oil recovery project.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid or incurred after the date of the enactment of this Act.

TITLE VIII—TAX MEASURES TO ENHANCE THE USE OF RENEWABLE ENERGY SOURCES, IMPROVE ENERGY EFFICIENCIES, PROTECT CONSUMERS AND CONVERSION TO CLEAN BURNING FUELS

SEC. 801. CREDIT FOR ELECTRICITY PRODUCED FROM RENEWABLE RESOURCES.

(a) EXTENSION AND MODIFICATION OF PLACED-IN-SERVICE RULES.—Subparagraph (B) of section 45(c)(3) of the Internal Revenue Code of 1986 is amended to read as follows:

''(B) BIOMASS FACILITIES.—In the case of a facility using biomass to produce electricity, the term 'qualified facility' means, with respect to any month, any facility owned, leased, or operated by the taxpayer which is originally placed in service before July 1, 2005, if, for such month—

''(i) biomass comprises not less than 75 percent (on a Btu basis) of the average

monthly fuel input of the facility for the taxable year which includes such month, or

''(ii) in the case of a facility principally using coal to produce electricity, biomass comprises not more than 25 percent (on a Btu basis) of the average monthly fuel input of the facility for the taxable year which includes such month.''.

(b) SPECIAL RULES.—Subsection (c) of section 45 of such Code is amended by adding at the end the following new paragraph:

''(5) SPECIAL RULES.—

''(A) 75 PERCENT BIOMASS INPUT FACILITY.—In the case of a qualified facility described in paragraph (3)(B)(i)—

''(i) the 10-year period referred to in subsection (a) shall be treated as beginning no earlier than the date of the enactment of this paragraph, and

''(ii) subsection (b)(3) shall not apply to any such facility originally placed in service before January 1, 1997.

''(B) 25 PERCENT BIOMASS INPUT FACILITY.—In the case of a qualified facility described in paragraph (3)(B)(ii)—

''(i) the 10-year period referred to in subsection (a) shall be treated as beginning no earlier than the date of the enactment of this paragraph, and

''(ii) the amount of the credit determined under subsection (a) with respect to any project for any taxable year shall be adjusted by multiplying such amount (determined without regard to this clause) by 0.59.''.

(c) CREDIT NOT TO APPLY TO ELECTRICITY SOLD TO UTILITIES UNDER CERTAIN CONTRACTS.—Section 45(b) of such Code (relating to limitations and adjustments) is amended by adding at the end the following:

''(4) CREDIT NOT TO APPLY TO ELECTRICITY SOLD TO UTILITIES UNDER CERTAIN CONTRACTS.—

''(A) IN GENERAL.—The credit determined under subsection (a) shall not apply to electricity—

''(i) produced at a qualified facility placed in service by the taxpayer after June 30, 1999, and

''(ii) sold to a utility pursuant to a contract originally entered into before Jan-

uary 1, 1987 (whether or not amended or restated after that date).

''(B) EXCEPTION.—Subparagraph (A) shall not apply if—

''(i) the prices for energy and capacity from such facility are established pursuant to an amendment to the contract referred to in subparagraph (A)(ii),

''(ii) such amendment provides that the prices set forth in the contract which exceed avoided cost prices determined at the time of delivery shall apply only to annual quantities of electricity (prorated for partial years) which do not exceed the greater of—

''(I) the average annual quantity of electricity sold to the utility under the contract during calendar years 1994, 1995, 1996, 1997, and 1998, or

''(II) the estimate of the annual electricity production set forth in the contract, or, if there is no such estimate, the greatest annual quantity of electricity sold to the utility under the

contract in any of the calendar years 1996, 1997, or 1998, and

''(iii) such amendment provides that energy and capacity in excess of the limitation in clause (ii) may be—

''(I) sold to the utility only at prices that do not exceed avoided cost prices determined at the time of delivery, or

''(II) sold to a third party subject to a mutually agreed upon advance notice to the utility.

For purposes of this subparagraph, avoided cost prices shall be determined as provided for in section 292.304(d)(1) of title 18, Code of Federal Regulations, or any successor regulation.''.

(d) QUALIFIED FACILITIES INCLUDE ALL BIOMASS FACILITIES.—

(1) IN GENERAL.—Subparagraph (B) of section 45(c)(1) of such Code (defining qualified energy resources) is amended to read as follows—

''(B) biomass, and''.

(2) BIOMASS DEFINED.—Paragraph (2) of section 45(c) of such Code (relating to definitions) is amended to read as follows:

''(2) BIOMASS.—The term 'biomass' means—

''(A) any organic material from a plant which is planted exclusively for purposes of being used at a qualified facility to produce electricity, or

''(B) any solid, nonhazardous, cellulosic waste material which is segregated from other waste materials and which is derived from—

''(i) any of the following forest-related resources: mill residues, precommercial thinnings, slash, and brush, but not including old-growth timber or wood waste, or byproducts therefrom, used to produce electricity for a pulp and paper production facility,

''(ii) poultry waste,

''(iii) urban sources, including waste pallets, crates, and dunnage, manufacturing and construction wood wastes, and landscape or right-of-way tree trimmings, but not including unsegregated municipal solid waste (garbage) or paper that is commonly recycled, or

''(iv) agriculture sources, including orchard tree crops, vineyard, grain, legumes,

sugar, and other crop by-products or residues.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to electricity produced after the date of the enactment of this Act.

SEC. 802. CERTAIN AMOUNTS RECEIVED BY ELECTRIC ENERGY, GAS, OR STEAM UTILITIES EXCLUDED FROM GROSS INCOME AS CONTRIBUTIONS TO CAPITAL.

(a) IN GENERAL.—Subsection (c) of section 118 of the Internal Revenue Code of 1986 (relating to special rules for water and sewerage disposal utilities) is amended—

(1) in the heading, by striking ''WATER AND SEWERAGE DISPOSAL'' and inserting ''CERTAIN'',

(2) in paragraph (1)—

(A) in the matter preceding paragraph (1), by striking ''water or'' and inserting ''electric energy, gas (through a local distribution system or transportation by pipeline), steam, water, or'' and

(B) in subparagraph (B), by striking ''water or'' and inserting ''electric energy, gas, steam, water, or'',

(3) in paragraph (2)(A)(ii), by striking ''water or'' and inserting ''electric energy, gas, steam, water, or'', and

(4) in paragraph (3)—

(A) in subparagraph (A), by inserting ''such term shall include amounts paid as customer connection fees (including amounts paid to connect the customer's line to an electric line, a gas main, a steam line, or a main water or sewer line) and'' after ''except that'', and

(B) in subparagraph (C), by striking ''water or'' and inserting ''electric energy, gas, steam, water, or''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to amounts received after the date of the enactment of this Act.

SEC. 803. EXTENSION OF CREDIT FOR ELECTRICITY PRODUCED FROM STEEL COGENERATION.

(a) EXTENSION OF CREDIT FOR COKE PRODUCTION AND STEEL MANUFACTURING FACILITIES.—Section 45(c)(1) (defining qualified energy resources) is amended by striking ''and'' at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting '', and'', and by adding at the end the following new subparagraph:

''(D) steel cogeneration.''

(b) STEEL COGENERATION.—Section 45(c) of such Code is amended by adding at the end the following:

''(5) STEEL COGENERATION.—The term 'steel cogeneration' means the production of steam or other form of thermal energy of at least 20 percent of total production and the production of electricity or mechanical energy (or both) of at least 20 percent of total production (meaning production from all waste sources in subparagraphs (A), (B), and (C) from the entire facility that produces coke, iron ore, iron, or steel), provided that the cogeneration meets any regulatory energy-efficiency standards established by the Secretary, and only to the extent that such energy is produced from—

''(A) gases or heat generated during the production of coke,

''(B) blast furnace gases or heat generated during the production of iron ore or iron, or

''(C) waste gases or heat generated from the manufacture of steel that uses at least 20 percent recycled material.''.

(c) MODIFICATION OF PLACED IN SERVICE RULES FOR STEEL COGENERATION FACILITIES.—Section 45(c)(3) of such Code (defining qualified fa-

cility) is amended by adding at the end the following:

''(D) STEEL COGENERATION FACILITIES.—In the case of a facility using steel cogeneration to produce electricity, the term 'qualified facility' means any facility permitted to operate under the environmental requirements of the Clean Air Act Amendments of 1990 which is owned by the taxpayer and originally placed in service after December 31, 1999, and before January 1, 2005. Such a facility may be treated as originally placed in service when such facility was last upgraded to increase efficiency or generation capability. However, no facility shall be allowed a credit for more than 10 years of production.''.

(d) CONFORMING AMENDMENTS.—

(1) The heading for section 45 of such Code is amended by inserting ''and waste energy'' after ''renewable''.

(2) The item relating to section 45 in the table of sections subpart D of part IV of subchapter A of chapter 1 of such Code is amended by inserting ''and waste energy'' after ''renewable''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001, and before January 1, 2005.

SEC. 804. FULL EXPENSING OF HOME HEATING OIL STORAGE FACILITIES.

(a) IN GENERAL.—Section 179(b) of the Internal Revenue Code of 1986 (relating to limitations) is amended by adding at the end of the following:

''(5) FULL EXPENSING OF HOME HEATING OIL STORAGE FACILITIES.—Paragraphs (1) and (2) shall not apply to section 179 property which is any storage facility (not including a building or its structural components) used in connection with the distribution of home heating oil.''.

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

SEC. 805. RESIDENTIAL SOLAR ENERGY TAX CREDIT.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to nonrefundable personal credits) is amended by inserting after section 25A the following new section:

"SEC. 25B. RESIDENTIAL SOLAR ENERGY PROPERTY.

"(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

"(1) 15 percent of the qualified photovoltaic property expenditures made by the taxpayer during such year, and

"(2) 15 percent of the qualified solar water heating property expenditures made by the taxpayer during the taxable year.

"(b) LIMITATIONS.—

"(1) MAXIMUM CREDIT.—The credit allowed under subsection (a)(2) shall not exceed $2,000 for each system of solar energy property.

"(2) TYPE OF PROPERTY.—No expenditure may be taken into account under this section unless such expenditure is made by the taxpayer for property installed on or in connection with a dwelling unit which is located in the United States and which is used as a residence.

"(3) SAFETY CERTIFICATIONS.—No credit shall be allowed under this section for an item of property unless—

"(A) in the case of solar water heating equipment, such equipment is certified for per-

formance and safety by the non-profit Solar Rating Certification Corporation or a comparable entity endorsed by the government of the State in which such property is installed, and

''(B) in the case of a photovoltaic system, such system meets appropriate fire and electric code requirements.

''(c) DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED SOLAR WATER HEATING PROPERTY EXPENDITURE.—The term 'qualified solar water heating property expenditure' means an expenditure for property that uses solar energy to heat water for use in a dwelling unit with respect to which a majority of the energy is derived from the sun.

''(2) QUALIFIED PHOTOVOLTAIC PROPERTY EXPENDITURE.—The term 'qualified photovoltaic property expenditure' means an expenditure for property that uses solar energy to generate electricity for use in a dwelling unit.

''(3) SOLAR PANELS.—No expenditure relating to a solar panel or other property installed as a roof (or portion thereof) shall fail to be treated as property described in paragraph (1) or (2) solely because

it constitutes a structural component of the structure on which it is installed.

''(4) LABOR COSTS.—Expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property described in paragraph (1) or (2) and for piping or wiring to interconnect such property to the dwelling unit shall be taken into account for purposes of this section.

''(5) SWIMMING POOLS, ETC., USED AS STORAGE MEDIUM.—Expenditures which are properly allocable to a swimming pool, hot tub, or any other energy storage medium which has a function other than the function of such storage shall not be taken into account for purposes of this section.

''(d) SPECIAL RULES.—For purposes of this section—

''(1) DOLLAR AMOUNTS IN CASE OF JOINT OCCUPANCY.—In the case of any dwelling unit which is jointly occupied and used during any calendar year as a residence by 2 or more individuals the following shall apply—

''(A) The amount of the credit allowable under subsection (a) by reason of expenditures (as the case may be) made during such cal-

endar year by any of such individuals with respect to such dwelling unit shall be determined by treating all of such individuals as 1 taxpayer whose taxable year is such calendar year.

''(B) There shall be allowable with respect to such expenditures to each of such individuals, a credit under subsection (a) for the taxable year in which such calendar year ends in an amount which bears the same ratio to the amount determined under subparagraph (A) as the amount of such expenditures made by such individual during such calendar year bears to the aggregate of such expenditures made by all of such individuals during such calendar year.

''(2) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—In the case of an individual who is a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such individual shall be treated as having made his tenant-stockholder's proportionate share (as defined in section 216(b)(3)) of any expenditures of such corporation.

''(3) CONDOMINIUMS.—

''(A) IN GENERAL.—In the case of an individual who is a member of a condominium man-

agement association with respect to a condominium which he owns, such individual shall be treated as having made his proportionate share of any expenditures of such association.

''(B) CONDOMINIUM MANAGEMENT ASSOCIATION.—For purposes of this paragraph, the term 'condominium management association' means an organization which meets the requirements of paragraph (1) of section 528(c) (other than subparagraph (E) thereof) with respect to a condominium project substantially all of the units of which are used as residences.

''(4) JOINT OWNERSHIP OF ITEMS OF SOLAR ENERGY PROPERTY.—

''(A) IN GENERAL.—Any expenditure otherwise qualifying as an expenditure described in paragraph (1) or (2) of subsection (c) shall not be treated as failing to so qualify merely because such expenditure was made with respect to 2 or more dwelling units.

''(B) LIMITS APPLIED SEPARATELY.—In the case of any expenditure described in subparagraph (A), the amount of the credit allowable under subsection (a) shall (subject to paragraph (1)) be computed separately with respect

to the amount of the expenditure made for each dwelling unit.

''(5) ALLOCATION IN CERTAIN CASES.—If less than 80 percent of the use of an item is for nonbusiness residential purposes, only that portion of the expenditures for such item which is properly allocable to use for nonbusiness residential purposes shall be taken into account. For purposes of this paragraph, use for a swimming pool shall be treated as use which is not for residential purposes.

''(6) WHEN EXPENDITURE MADE; AMOUNT OF EXPENDITURE.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), an expenditure with respect to an item shall be treated as made when the original installation of the item is completed.

''(B) EXPENDITURES PART OF BUILDING CONSTRUCTION.—In the case of an expenditure in connection with the construction or reconstruction of a structure, such expenditure shall be treated as made when the original use of the constructed or reconstructed structure by the taxpayer begins.

''(C) AMOUNT.—The amount of an expenditure shall be the cost thereof.

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

(b) CONFORMING AMENDMENTS.—

(1) Subsection (a) of section 1016 of such Code is amended by striking 'and' at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting ''; and'', and by adding at the end the following new paragraph:

''(28) to the extent provided in section 25B(e), in the case of amounts with respect to which a credit has been allowed under section 25B.''.

(2) The table of sections for subpart A of part IV of subchapter A of chapter 1 of such Code is amended by inserting after the item relating to section 25A the following new item:

''Sec. 25B. Residential solar energy property.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after December 31, 1999 and before December 31, 2004.

SEC. 806. CREDIT FOR CERTAIN FUEL CELL AND COMBINED HEAT AND POWER SYSTEM PROPERTY USED IN BUSINESS.

(a) ENERGY PERCENTAGE.—Paragraph (2) of section 48(a) of the Internal Revenue Code of 1986 (relating to energy percentage for energy credit) is amended by redesignating subparagraph (B) as subparagraph (D) and by inserting after subparagraph (A) the following new subparagraphs:

''(B) QUALIFIED FUEL CELL PROPERTY.—The energy percentage shall be 20 percent in the case of qualified fuel cell property.

''(C) COMBINED HEAT AND POWER SYSTEM PROPERTY.—The energy percentage shall be 8 percent in the case of combined heat and power system property.''.

(b) ENERGY PROPERTY DEFINED.—Subsection (a) of section 48 of such Code (relating to the energy credit) is amended by adding at the end the following new paragraphs:

''(6) QUALIFIED FUEL CELL PROPERTY.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'energy property' shall include qualified fuel cell property.

''(B) QUALIFIED FUEL CELL PROPERTY.—The term 'qualified fuel cell property' means a fuel cell that—

''(i) generates electricity and heat using an electrochemical process,

''(ii) has an electricity-only generation efficiency greater than 35 percent, and

''(iii) has a minimum generating capacity of 1 kilowatts.

''(7) COMBINED HEAT AND POWER SYSTEM PROPERTY.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'energy property' shall include combined heat and power system property.

''(B) COMBINED HEAT AND POWER SYSTEM PROPERTY.—The term 'combined heat and power system property' means property comprising a system—

''(i) which uses the same energy source for the simultaneous or sequential generation of electrical power, mechanical shaft power, or both, in combination with the generation of steam or other forms of useful thermal energy (including heating and cooling applications),

''(ii) which has an electrical capacity of more than 50 kilowatts or a mechanical energy capacity of more than 67 horsepower or an equivalent combination of electrical and mechanical energy capacities,

''(iii) which produces—

''(I) at least 20 percent of its total useful energy in the form of thermal energy, and

''(II) at least 20 percent of its total useful energy in the form of electrical or mechanical power (or a combination thereof), and

''(iv) the energy efficiency percentage of which exceeds 60 percent (70 percent in the case of a system with an electrical capacity in excess of 50 megawatts or a mechanical energy capacity in excess of 67,000 horsepower, or an equivalent combination of electrical and mechanical energy capacities).

''(C) SPECIAL RULES.—

''(i) ENERGY EFFICIENCY PERCENTAGE.—For purposes of subparagraph

(B)(iv), the energy efficiency percentage of a system is the fraction—

"(I) the numerator of which is the total useful electrical, thermal, and mechanical power produced by the system at normal operating rates, and

"(II) the denominator of which is the lower heating value of the primary fuel source for the system.

"(ii) DETERMINATIONS MADE ON BTU BASIS.—The energy efficiency percentage and the percentages under subparagraph (B)(iii) shall be determined on a Btu basis.

"(iii) INPUT AND OUTPUT PROPERTY NOT INCLUDED.—The term 'combined heat and power system property' does not include property used to transport the energy source to the facility or to distribute energy produced by the facility.

"(iv) PUBLIC UTILITY PROPERTY.—

"(I) ACCOUNTING RULE FOR PUBLIC UTILITY PROPERTY.—In the case that combined heat and power system property is public utility prop-

erty (as defined in section 46(f)(5) as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990), the taxpayer may only claim the credit under this subsection if, with respect to such property, the taxpayer uses a normalization method of accounting.

''(II) CERTAIN EXCEPTION NOT TO APPLY.—The matter in paragraph (3) which follows subparagraph (D) shall not apply to combined heat and power system property.

''(v) DEPRECIATION.—No credit shall be allowed for any combined heat and power system property unless the taxpayer elects to treat such property for purposes of section 168 as having a class life of not less than 22 years.''.

(c) NO CARRYBACK OF ENERGY CREDIT BEFORE EFFECTIVE DATE.—Subsection (d) of section 39 of such Code is amended by adding at the end the following new paragraph:

''(9) NO CARRYBACK OF ENERGY CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused

business credit for any taxable year which is attributable to the portion of the energy credit described in section 48(a)(6) or (7) may be carried back to a taxable year ending before the date of the enactment of this paragraph.''.

(d) DEPRECIATION.—

(1) Subparagraph (C) of section 168(e)(3) of such Code is amended by striking the period at the end of clause (ii) and inserting ``, and'', and by inserting after clause (ii) the following new clause:

> ``(iii) any energy property (as defined in paragraphs (6) or (7) of section 48(a)) for which a credit is allowed under section 48 and which, but for this clause, would have a recovery period of less than 15 years.''.

(2) The table contained in subparagraph (B) of section 168(g)(3) of such Code is amended by inserting after the item relating to subparagraph (C)(i) the following:

``(C)(iii)	10''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to periods after December 31, 2000, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the

day before the date of the enactment of the Revenue Reconciliation Act of 1990).

TITLE IX—ARCTIC COASTAL PLAIN DOMESTIC ENERGY SECURITY ACT OF 2000

SEC. 901. SHORT TITLE

This title may be cited as the ''Arctic Coastal Plain Domestic Energy Security Act of 2000''.

SEC. 902. DEFINITIONS.

When used in this title the term—

(1) ''Coastal Plain'' means that area identified as such in the map entitled ''Arctic National Wildlife Refuge'', dated August 1980, as referenced in section 1002(b) of the Alaska National Interest Lands Conservation Act of 1980 (16 U.S.C. 3142(b)(1)) comprising approximately 1,549,000 acres; and

(2) ''Secretary'', except as otherwise provided, means the Secretary of the Interior or the Secretary's designee.

SEC. 903. LEASING PROGRAM FOR LANDS WITHIN THE COASTAL PLAIN.

(a) AUTHORIZATION.—The Congress hereby authorizes and directs the Secretary, acting through the Bureau of Land Management in consultation with the Fish and Wildlife Service and other appropriate Federal offices and

agencies, to take such actions as are necessary to establish and implement a competitive oil and gas leasing program that will result in an environmentally sound program for the exploration, development, and production of the oil and gas resources of the Coastal Plain and to administer the provisions of this title through regulations, lease terms, conditions, restrictions, prohibitions, stipulations, and other provisions that ensure the oil and gas exploration, development, and production activities on the Coastal Plain will result in no significant adverse effect on fish and wildlife, their habitat, subsistence resources, and the environment, and shall require the application of the best commercially available technology for oil and gas exploration, development, and production, on all new exploration, development, and production operations, and whenever practicable, on existing operations, and in a manner to ensure the receipt of fair market value by the public for the mineral resources to be leased.

(b) REPEAL.—The prohibitions and limitations contained in section 1003 of the Alaska National Interest Lands Conservation Act of 1980 (16 U.S.C. 3143) are hereby repealed.

(c) COMPATIBILITY.—Congress hereby determines that the oil and gas leasing program and activities authorized by this section in the Coastal Plain are compatible

with the purposes for which the Arctic National Wildlife Refuge was established, and that no further findings or decisions are required to implement this determination.

(d) SOLE AUTHORITY.—This title shall be the sole authority for leasing on the Coastal Plain: *Provided,* That nothing in this title shall be deemed to expand or limit State and local regulatory authority.

(e) FEDERAL LAND.—The Coastal Plain shall be considered ''Federal land'' for the purposes of the Federal Oil and Gas Royalty Management Act of 1982.

(f) SPECIAL AREAS.—The Secretary, after consultation with the State of Alaska, City of Kaktovik, and the North Slope Borough, is authorized to designate up to a total of 45,000 acres of the Coastal Plain as Special Areas and close such areas to leasing if the Secretary determines that these Special Areas are of such unique character and interest so as to require special management and regulatory protection. The Secretary may, however, permit leasing of all or portions of any Special Areas within the Coastal Plain by setting lease terms that limit or condition surface use and occupancy by lessees of such lands but permit the use of horizontal drilling technology from sites on leases located outside the designated Special Areas.

(g) LIMITATION ON CLOSED AREAS.—The Secretary's sole authority to close lands within the Coastal

Plain to oil and gas leasing and to exploration, development, and production is that set forth in this title.

(h) CONVEYANCE.—In order to maximize Federal revenues by removing clouds on title of lands and clarifying land ownership patterns within the Coastal Plain, the Secretary, notwithstanding the provisions of section 1302(h)(2) of the Alaska National Interest Lands Conservation Act (16 U.S.C. 3192(h)(2)), is authorized and directed to convey (1) to the Kaktovik Inupiat Corporation the surface estate of the lands described in paragraph 2 of the Public Land Order 6959, to the extent necessary to fulfill the Corporation's entitlement under section 12 of the Alaska Native Claims Settlement Act (43 U.S.C. 1611), and (2) to the Arctic Slope Regional Corporation the subsurface estate beneath such surface estate pursuant to the August 9, 1983, agreement between the Arctic Slope Regional Corporation and the United States of America.

SEC. 904. RULES AND REGULATIONS.

(a) PROMULGATION.—The Secretary shall prescribe such rules and regulations as may be necessary to carry out the purposes and provisions of this title, including rules and regulations relating to protection of the fish and wildlife, their habitat, subsistence resources, and the environment of the Coastal Plain. Such rules and regulations

shall be promulgated no later than fourteen months after the date of enactment of this title and shall, as of their effective date, apply to all operations conducted under a lease issued or maintained under the provisions of this title and all operations on the Coastal Plain related to the leasing, exploration, development, and production of oil and gas.

(b) REVISION OF REGULATIONS.—The Secretary shall periodically review and, if appropriate, revise the rules and regulations issued under subsection (a) of this section to reflect any significant biological, environmental, or engineering data which come to the Secretary's attention.

SEC. 905. ADEQUACY OF THE DEPARTMENT OF THE INTERIOR'S LEGISLATIVE ENVIRONMENTAL IMPACT STATEMENT.

The ''Final Legislative Environmental Impact Statement'' (April 1987) on the Coastal Plain prepared pursuant to section 1002 of the Alaska National Interest Lands Conservation Act of 1980 (16 U.S.C. 3142) and section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332(2)(C)) is hereby found by the Congress to be adequate to satisfy the legal and procedural requirements of the National Environmental Policy Act of 1969 with respect to actions authorized to be taken by

the Secretary to develop and promulgate the regulations for the establishment of the leasing program authorized by this title, to conduct the first lease sale and any subsequent lease sale authorized by this title, and to grant rights-of-way and easements to carry out the purposes of this title.

SEC. 906. LEASE SALES.

(a) LEASE SALES.—Lands may be leased pursuant to the provisions of this title to any person qualified to obtain a lease for deposits of oil and gas under the Mineral Leasing Act, as amended (30 U.S.C. 181).

(b) PROCEDURES.—The Secretary shall, by regulation, establish procedures for—

(1) receipt and consideration of sealed nominations for any area in the Coastal Plain for inclusion in, or exclusion (as provided in subsection (c)) from, a lease sale; and

(2) public notice of and comment on designation of areas to be included in, or excluded from, a lease sale.

(c) LEASE SALES ON COASTAL PLAIN.—The Secretary shall, by regulation, provide for lease sales of lands on the Coastal Plain. When lease sales are to be held, they shall occur after the nomination process provided for in subsection (b) of this section. For the first lease sale, the

Secretary shall offer for lease those acres receiving the greatest number of nominations, but no less than two hundred thousand acres and no more than three hundred thousand acres shall be offered. If the total acreage nominated is less than two hundred thousand acres, the Secretary shall include in such sale any other acreage which he believes has the highest resource potential, but in no event shall more than three hundred thousand acres of the Coastal Plain be offered in such sale. With respect to subsequent lease sales, the Secretary shall offer for lease no less than two hundred thousand acres of the Coastal Plain. The initial lease sale shall be held within twenty months of the date of enactment of this title. The second lease sale shall be held no later than twenty-four months after the initial sale, with additional sales conducted no later than twelve months thereafter so long as sufficient interest in development exists to warrant, in the Secretary's judgment, the conduct of such sales.

SEC. 907. GRANT OF LEASES BY THE SECRETARY.

(a) IN GENERAL.—The Secretary is authorized to grant to the highest responsible qualified bidder by sealed competitive cash bonus bid any lands to be leased on the Coastal Plain upon payment by the lessee of such bonus as may be accepted by the Secretary and of such royalty as may be fixed in the lease, which shall be not less then

12½ per centum in amount or value of the production removed or sold from the lease.

(b) ANTITRUST REVIEW.—Following each notice of a proposed lease sale and before the acceptance of bids and the issuance of leases based on such bids, the Secretary shall allow the Attorney General, in consultation with the Federal Trade Commission, thirty days to perform an antitrust review of the results of such lease sale on the likely effects the issuance of such leases would have on competition and the Attorney General shall advise the Secretary with respect to such review, including any recommendation for the nonacceptance of any bid or the imposition of terms or conditions on any lease, as may be appropriate to prevent any situation inconsistent with the antitrust laws.

(c) SUBSEQUENT TRANSFERS.—No lease issued under this title may be sold, exchanged, assigned, sublet, or otherwise transferred except with the approval of the Secretary. Prior to any such approval the Secretary shall consult with, and give due consideration to the views of, the Attorney General.

(d) IMMUNITY.—Nothing in this title shall be deemed to convey to any person, association, corporation, or other business organization immunity from civil or criminal li-

ability, or to create defenses to actions, under any antitrust law.

(e) DEFINITIONS.—As used in this section, the term—

(1) ''antitrust review'' shall be deemed an ''antitrust investigation'' for the purposes of the Antitrust Civil Process Act (15 U.S.C. 1311); and

(2) ''antitrust laws'' means those Acts set forth in section 1 of the Clayton Act (15 U.S.C. 12) as amended.

SEC. 908. LEASE TERMS AND CONDITIONS.

An oil or gas lease issued pursuant to this title shall—

(1) be for a tract consisting of a compact area not to exceed five thousand seven hundred sixty acres, or nine surveyed or protracted sections which shall be as compact in form as possible;

(2) be for an initial period of ten years and shall be extended for so long thereafter as oil or gas is produced in paying quantities from the lease or unit area to which the lease is committed or for so long as drilling or reworking operations, as approved by the Secretary, are conducted on the lease or unit area;

(3) require the payment of royalty as provided for in section 907 of this title;

(4) require that exploration activities pursuant to any lease issued or maintained under this title shall be conducted in accordance with an exploration plan or a revision of such plan approved by the Secretary;

(5) require that all development and production pursuant to a lease issued or maintained pursuant to this title shall be conducted in accordance with development and production plans approved by the Secretary;

(6) require posting of bond as required by section 909 of this title;

(7) provide that the Secretary may close, on a seasonal basis, portions of the Coastal Plain to exploratory drilling activities as necessary to protect caribou calving areas and other species of fish and wildlife;

(8) contain such provisions relating to rental and other fees as the Secretary may prescribe at the time of offering the area for lease;

(9) provide that the Secretary may direct or assent to the suspension of operations and production under any lease granted under the terms of this title

in the interest of conservation of the resource or where there is no available system to transport the resource. If such a suspension is directed or assented to by the Secretary, any payment of rental prescribed by such lease shall be suspended during such period of suspension of operations and production, and the term of the lease shall be extended by adding any such suspension period thereto;

(10) provide that whenever the owner of a nonproducing lease fails to comply with any of the provisions of this Act, or of any applicable provision of Federal or State environmental law, or of the lease, or of any regulation issued under this title, such lease may be canceled by the Secretary if such default continues for more than thirty days after mailing of notice by registered letter to the lease owner at the lease owner's post office address of record;

(11) provide that whenever the owner of any producing lease fails to comply with any of the provisions of this title, or of any applicable provision of Federal or State environmental law, or of the lease, or of any regulation issued under this title, such lease may be forfeited and canceled by any appropriate proceeding brought by the Secretary in any

United States district court having jurisdiction under the provisions of this title;

(12) provide that cancellation of a lease under this title shall in no way release the owner of the lease from the obligation to provide for reclamation of the lease site;

(13) allow the lessee, at the discretion of the Secretary, to make written relinquishment of all rights under any lease issued pursuant to this title. The Secretary shall accept such relinquishment by the lessee of any lease issued under this title where there has not been surface disturbance on the lands covered by the lease;

(14) provide that for the purpose of conserving the natural resources of any oil or gas pool, field, or like area, or any part thereof, and in order to avoid the unnecessary duplication of facilities, to protect the environment of the Coastal Plain, and to protect correlative rights, the Secretary shall require that, to the greatest extent practicable, lessees unite with each other in collectively adopting and operating under a cooperative or unit plan of development for operation of such pool, field, or like area, or any part thereof, and the Secretary is also authorized and directed to enter into such agreements as are

necessary or appropriate for the protection of the United States against drainage;

(15) require that the holder of a lease or leases on lands within the Coastal Plain shall be fully responsible and liable for the reclamation of lands within the Coastal Plain and any other Federal lands adversely affected in connection with exploration, development, production or transportation activities on a lease within the Coastal Plain by the holder of a lease or as a result of activities conducted on the lease by any of the leaseholder's subcontractors or agents;

(16) provide that the holder of a lease may not delegate or convey, by contract of otherwise, the reclamation responsibility and liability to another party without the express written approval of the Secretary;

(17) provide that the standard of reclamation for lands required to be reclaimed under this title be, as nearly as practicable, a condition capable of supporting the uses which the lands were capable of supporting prior to any exploration, development, or production activities, or upon application by the lessee, to a higher or better use as approved by the Secretary;

(18) contain the terms and conditions relating to protection of fish and wildlife, their habitat, and the environment, as required by section 903(a) of this title;

(19) provide that the holder of a lease, its agents, and contractors use best efforts to provide a fair share, as determined by the level of obligation previously agreed to in the 1974 agreement implementing section 29 of the Federal Agreement and Grant of Right of Way for the Operation of the Trans-Alaska Pipeline, of employment and contracting for Alaska Natives and Alaska Native Corporations from throughout the State;

(20) require project agreements to the extent feasible that will ensure productivity and consistency recognizing a national interest in both labor stability and the ability of construction labor and management to meet the particular needs and conditions of projects to be developed under leases issued pursuant to this Act; and

(21) contain such other provisions as the Secretary determines necessary to ensure compliance with the provisions of this title and the regulations issued under this title.

SEC. 909. BONDING REQUIREMENTS TO ENSURE FINANCIAL RESPONSIBILITY OF LESSEE AND AVOID FEDERAL LIABILITY.

(a) REQUIREMENT.—The Secretary shall, by rule or regulation, establish such standards as may be necessary to ensure that an adequate bond, surety, or other financial arrangement will be established prior to the commencement of surface disturbing activities on any lease, to ensure the complete and timely reclamation of the lease tract, and the restoration of any lands or surface waters adversely affected by lease operations after the abandonment or cessation of oil and gas operations on the lease. Such bond, surety, or financial arrangement is in addition to, and not in lieu, of any bond, surety, or financial arrangement required by any other regulatory authority or required by any other provision of law.

(b) AMOUNT.—The bond, surety, or financial arrangement shall be in an amount—

(1) to be determined by the Secretary to provide for reclamation of the lease site in accordance with an approved or revised exploration or development and production plan; plus

(2) set by the Secretary consistent with the type of operations proposed, to provide the means for rapid and effective cleanup, and to minimize damages resulting from an oil spill, the escape of

gas, refuse, domestic wastewater, hazardous or toxic substances, or fire caused by oil and gas activities.

(c) ADJUSTMENT.—In the event that an approved exploration or development and production plan is revised, the Secretary may adjust the amount of the bond, surety, or other financial arrangement to conform to such modified plan.

(d) DURATION.—The responsibility and liability of the lessee and its surety under the bond, surety, or other financial arrangement shall continue until such time as the Secretary determines that there has been compliance with the terms and conditions of the lease and all applicable law.

(e) TERMINATION.—Within sixty days after determining that there has been compliance with the terms and conditions of the lease and all applicable laws, the Secretary, after consultation with affected Federal and State agencies, shall notify the lessee that the period of liability under the bond, surety, or other financial arrangement has been terminated.

SEC. 910. OIL AND GAS INFORMATION.

(a) IN GENERAL.—(1) Any lessee or permittee conducting any exploration for, or development or production of, oil or gas pursuant to this title shall provide the Secretary access to all data and information from any lease

granted pursuant to this title (including processed and analyzed) obtained from such activity and shall provide copies of such data and information as the Secretary may request. Such data and information shall be provided in accordance with regulations which the Secretary shall prescribe.

(2) If processed and analyzed information provided pursuant to paragraph (1) is provided in good faith by the lessee or permittee, such lessee or permittee shall not be responsible for any consequence of the use or of reliance upon such processed and analyzed information.

(3) Whenever any data or information is provided to the Secretary, pursuant to paragraph (1)—

(A) by a lessee or permittee, in the form and manner of processing which is utilized by such lessee or permittee in the normal conduct of business, the Secretary shall pay the reasonable cost of reproducing such data and information; or

(B) by a lessee or permittee, in such other form and manner of processing as the Secretary may request, the Secretary shall pay the reasonable cost of processing and reproducing such data and information.

(b) REGULATIONS.—The Secretary shall prescribe regulations to: (1) assure that the confidentiality of privi-

leged or proprietary information received by the Secretary under this section will be maintained; and (2) set forth the time periods and conditions which shall be applicable to the release of such information.

SEC. 911. EXPEDITED JUDICIAL REVIEW.

(a) Any complaint seeking judicial review of any provision in this title, or any other action of the Secretary under this title may be filed in any appropriate district court of the United States, and such complaint must be filed within ninety days from the date of the action being challenged, or after such date if such complaint is based solely on grounds arising after such ninetieth day, in which case the complaint must be filed within ninety days after the complainant knew or reasonably should have known of the grounds for the complaint: *Provided,* That any complaint seeking judicial review of an action of the Secretary in promulgating any regulation under this title may be filed only in the United States Court of Appeals for the District of Columbia.

(b) Actions of the Secretary with respect to which review could have been obtained under this section shall not be subject to judicial review in any civil or criminal proceeding for enforcement.

SEC. 912. RIGHTS-OF-WAY ACROSS THE COASTAL PLAIN.

Notwithstanding title XI of the Alaska National Interest Lands Conservation Act of 1980 (16 U.S.C. 3161 et seq.), the Secretary is authorized and directed to grant, in accordance with the provisions of section 28 (c) through (t) and (v) through (y) of the Mineral Leasing Act of 1920 (30 U.S.C. 185), rights-of-way and easements across the Coastal Plain for the transportation of oil and gas under such terms and conditions as may be necessary so as not to result in a significant adverse effect on the fish and wildlife, subsistence resources, their habitat, and the environment of the Coastal Plain. Such terms and conditions shall include requirements that facilities be sited or modified so as to avoid unnecessary duplication of roads and pipelines. The regulations issued as required by section 904 of this title shall include provisions granting rights-of-way and easements across the Coastal Plain.

SEC. 913. ENFORCEMENT OF SAFETY AND ENVIRONMENTAL REGULATIONS TO ENSURE COMPLIANCE WITH TERMS AND CONDITIONS OF LEASE.

(a) RESPONSIBILITY OF THE SECRETARY.—The Secretary shall diligently enforce all regulations, lease terms, conditions, restrictions, prohibitions, and stipulations promulgated pursuant to this title.

(b) RESPONSIBILITY OF HOLDERS OF LEASE.—It shall be the responsibility of any holder of a lease under this title to—

(1) maintain all operations within such lease area in compliance with regulations intended to protect persons and property on, and fish and wildlife, their habitat, subsistence resources, and the environment of, the Coastal Plain; and

(2) allow prompt access at the site of any operations subject to regulation under this title to any appropriate Federal or State inspector, and to provide such documents and records which are pertinent to occupational or public health, safety, or environmental protection, as may be requested.

(c) ON-SITE INSPECTION.—The Secretary shall promulgate regulations to provide for—

(1) scheduled onsite inspection by the Secretary, at least twice a year, of facility on the Coastal Plain which is subject to any environmental or safety regulation promulgated pursuant to this title or conditions contained in any lease issue pursuant to this title to assure compliance with such environmental or safety regulations or conditions; and

(2) periodic onsite inspection by the Secretary at least once a year without advance notice to the

operator of such facility to assure compliance with all environmental or safety regulations.

SEC. 914. NEW REVENUES.

Notwithstanding any other provision of law, all revenues received by the Federal Government from competitive bids, sales, bonuses, royalties, rents, fees, or interest derived from the leasing of oil and gas within the Coastal Plain shall be deposited into the Treasury of the United States, solely as provided in this section. The Secretary of the Treasury shall pay to the State of Alaska the same percentage of such revenues as is set forth under the heading ''EXPLORATION OF NATIONAL PETROLEUM RESERVE IN ALASKA'' in Public Law 96–514 (94 Stat. 2957, 2964) semiannually to the State of Alaska, on March 30 and September 30 of each year and shall deposit the balance of all such revenues as miscellaneous receipts in the Treasury.

TITLE X—CLEAN, RELIABLE, AND AFFORDABLE ELECTRICITY

SEC. 1001. FINDINGS AND PURPOSES.

(a) FINDINGS.—Congress finds that—

(1) reliable, affordable, increasingly clean electricity will continue to power the growing the United States economy. Increasing use of electrotechnologies, the desire for continuous envi-

ronmental improvement, a more competitive electricity market, and concerns about rising energy prices add importance to the need for reliable, affordable, increasingly clean electricity,

(2) coal, which currently accounts for more than ½ of all electricity generated in the United States, is the Nation's most abundant fossil energy resource; it comprises more than 85 percent of all fossil resources in the United States, representing a 250-year supply at current usage rates,

(3) investments in power plant emissions control technology over the past 30 years have reduced health-based pollutants from coal-based generating plants by 32 percent, even as coal used for electricity generation has nearly tripled,

(4) continuous improvement in efficiency and environmental performance from generating stations will allow continued use for coal, the Nation's most abundant energy resource, and preserve less abundant energy resources for other energy uses,

(5) new technologies for converting coal into electricity can effectively eliminate health-based emissions and improve efficiency by as much as 50 percent, yet initial commercial deployment of new coal generating technologies entails significant risk

that generators may be unable to accept in a newly competitive electricity market, and

(6) continued environmental improvement in coal-based generation toward an ultimate goal of near-zero emissions is important and desirable.

(b) PURPOSE.—The purpose of this title is to amend the Internal Revenue Code of 1986 and authorize Department of Energy programs to—

(1) develop and implement an accelerated research and development program for advanced clean coal technologies for use in existing and new coal-based electricity generating facilities,

(2) provide financial incentives to encourage the retrofit, repowering, or replacement of existing coal-based electricity generating facilities to protect the environment and improve efficiency,

(3) encourage the early commercial application of advanced clean coal technologies, and

(4) allow coal, the most abundant domestic energy resource, to help meet the Nation's growing need for clean, reliable, and affordable electricity.

Subtitle A—Accelerated Technology Research and Development Program for Advanced Clean Coal Technology for New and Existing Coal-Based Electric Generating Facilities

PART 1—NATIONAL COAL-BASED TECHNOLOGY DEVELOPMENT AND APPLICATIONS PROGRAM

SEC. 1011. PURPOSES.

The purposes of this subtitle are to direct the Secretary—

(1) to establish a coal-based technology development program designed to achieve cost and performance goals;

(2) to undertake a study to identify technologies that may be capable of achieving the cost and performance goals and for other purposes; and

(3) to implement a research, development, and demonstration program designed to develop and demonstrate in commercial-scale applications advanced clean coal technologies for existing coal-fired power generation units.

SEC. 1012. COST AND PERFORMANCE GOALS.

(a) Within 120 days of the date of enactment of this Act, the Secretary is directed to issue a set of technology

cost and performance goals for public comment, and after taking into account the public comments, the Secretary shall submit the final technology cost and performance goals to the Congress within 180 days of enactment of this Act.

(b) In establishing these technology cost and performance goals, the Secretary shall consult with representatives from the United States coal industry, electric utility industry, railroads and other transportation industries, manufacturers of equipment utilizing advanced coal technologies, organizations representing workers, and members of organizations formed to further the goals of environmental protection or to promote the development and use of advanced coal technologies.

(c) For purposes of this section, the term ''cost and performance goals'' means the result of an assessment undertaken by the Secretary, in consultation with those entities identified in subsection (b), that identifies costs and associated performance of technologies that would permit the continued cost-competitive use of coal for electricity generation, as chemical feedstocks and as transportation fuel in the years 2007, 2015, and beyond 2020.

SEC. 1013. STUDY.

(a) Not later than 12 months after the date of enactment of this Act, the Secretary, in cooperation with the

Secretary of the Interior and the Administrator of the Environmental Protection Agency, shall undertake a cooperative study designed to—

(1) identify technologies capable of achieving the cost and performance goals established in section 1012;

(2) assess the costs to develop and demonstrate such technologies and the amount of time required to undertake and accomplish such development and demonstration; and

(3) set forth a set of recommendations by which the Department of Energy could undertake, in cooperation with industry, technology development programs to develop and demonstrate such technologies.

(b) In carrying out this section, the Secretary shall incorporate the advice of representatives with applicable expertise from the United States coal industry, electric utility industry, railroads and other coal transportation industries, manufacturers of equipment utilizing advanced coal technologies, organizations representing workers, and members of organizations formed to further the goals of environmental protection or to promote the development and use of advanced coal technologies.

SEC. 1014. TECHNOLOGY RESEARCH AND DEVELOPMENT PROGRAM.

(a) The Secretary shall, pursuant to the authority and directions of this title and the Federal Non-Nuclear Energy Research and Development Act of 1974 (Public Law 93–577), the Energy Reorganization Act of 1974 (Public Law 93–438), and the Energy Policy Act of 1992 (Public Law 102–486), undertake and conduct programs for research on and development, demonstration, and commercial application of coal-based technologies. Such research, development, demonstration, and commercial application programs identified in section 1013 shall be designed to achieve the cost and performance goals established in sections 1012.

(b) Not later than 18 months after the date of enactment of this Act, the Secretary shall transmit to the President and the Congress a report containing—

(1) a description of the programs in place or to be undertaken within the Department of Energy to support technologies that are designed to achieve the cost and performance goals established in section 1012, and

(2) recommendations for additional authorities required in order to achieve the cost and performance goals.

SEC. 1015. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to the Secretary for carrying out this subtitle $100,000,000 for each of fiscal years 2002 through 2012, to remain available until expended. This authorization is supplemental to existing authorities and shall not be construed as a cap on Department of Energy Fossil Energy Research and Development and Clean Coal Technology appropriations.

PART 2—EXISTING PLANT TECHNOLOGY APPLICATIONS

SEC. 1021. EXISTING PLANT TECHNOLOGY APPLICATIONS.

(a) The Secretary shall conduct a program of research, development, demonstration, and commercial application for the purpose of developing economically and environmentally acceptable advanced technologies for utilization at or within current electricity generation facilities utilizing coal as the primary feedstock.

(b) Within 120 days after the date of enactment of this Act, the Secretary shall transmit to Congress a detailed plan for conducting the research, development, demonstration, and commercial application programs for the purpose of developing economically and environmentally acceptable advanced technologies for utilization at or within existing electricity generation facilities utilizing coal as the primary feedstock. Such plan shall include a description of—

(1) the program elements and management structure to be utilized;

(2) the technical milestones to be achieved with respect to each of the advanced coal-based technologies included in the plan;

(3) the research, development, and demonstration activities proposed to be conducted at existing coal-based electric generation units of at least 50 megawatts nameplate rating and including design improvements that will allow such units to provide either—

(A) an overall design efficiency improvement of not less than 5 percentage points on a unit having design main steam throttle conditions of at least 1,800 psi/1,000 F/1,000 F,

(B) a design removal for one or more of the following emissions of not less than—

(i) 98 percent removal, annual average, of sulfur dioxide at a capital and operating cost at least 25 percent below commercially available technology,

(ii) 85 percent removal, annual average, of nitrogen oxide without the use of ammonia or urea, or

(iii) 75 percent, annual average, emission reduction of total mercury excluding any reductions due to use of activated carbon or a system for selective catalytic reduction; or

(C) 100 percent recycle/utilization options of coal combustion wastes excluding gypsum production for wallboard and coal fly ash and bottom ash use in Portland cement and concrete applications.

SEC. 1022. DEMONSTRATION AND COMMERCIAL APPLICATION PROGRAM.

(a) Not later than 180 days after the date of submittal of the program described in section 1021 of this Act, the Secretary shall cause to have solicited proposals for demonstrations designed to achieve the technical milestones set forth in section 1021(b)(1)(C).

(b) In selecting a project or projects for financial assistance under this subtitle, the Secretary shall utilize the criteria for a qualifying project which shall provide a minimum of 50 percent cost sharing with the Federal Government for the installation and operation of the clean coal technology. In making project selections that meet the criteria and purposes of the solicitation, the Department of Energy shall select those projects which—

(1) demonstrates overall cost reductions in the utilization of coal to generate useful forms of energy;

(2) improves the competitiveness of coal among various forms of energy in order to maintain a diversity of fuel choices in the United States to meet electricity generation requirements; and

(3) cost-effectively achieves 1 or more of the criteria set out in the solicitation, including a project that demonstrates the emissions control of 1 or more pollutants or the production of coal combustion by-products that are capable of obtaining values significantly greater than by-products currently produced.

(c) A qualifying project under this section shall be exempt from the new source review provisions of the Clean Air Act (42 U.S.C. 1857 et seq.).

SEC. 1023. AUTHORIZATION OF APPROPRIATIONS.

The Secretary, as of the date of enactment of this Act, is authorized to utilize any funds appropriated, but not currently committed, or that may become uncommitted to any project selected under the existing ''Clean Coal Technology'' program to administer and conduct this subtitle.

Subtitle B—Credit for Emission Reductions and Efficiency Improvements in Existing Coal-Based Electricity Generation Facilities

SEC. 1031. CREDIT FOR INVESTMENT IN QUALIFYING CLEAN COAL TECHNOLOGY.

(a) ALLOWANCE OF QUALIFYING CLEAN COAL TECHNOLOGY UNIT CREDIT.—Section 46 of the Internal Revenue Code of 1986 (relating to amount of credit) is amended by striking ''and'' at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting '', and'', and by adding at the end the following:

''(4) the qualifying clean coal technology unit credit.''.

(b) AMOUNT OF QUALIFYING CLEAN COAL TECHNOLOGY UNIT CREDIT.—Subpart E of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to rules for computing investment credit) is amended by inserting after section 48 the following:

''SEC. 48A. QUALIFYING CLEAN COAL TECHNOLOGY UNIT CREDIT.

''(a) IN GENERAL.—For purposes of section 46, the qualifying clean coal technology unit credit for any taxable year is an amount equal to 20 percent of the qualified

investment in a qualifying system of continuous emission control for such taxable year.

''(b) QUALIFYING SYSTEM OF CONTINUOUS EMISSION CONTROL.—

''(1) IN GENERAL.—For purposes of subsection (a) the term 'qualifying system of continuous emission control' means a system of the taxpayer—

''(A) which is retrofitted to an existing coal-based electricity generating unit, the retrofitting of which is completed by the taxpayer (but only with respect to that portion of the basis which is properly attributable to such retrofitting),

''(B) which removes 1 or more of the pollutants regulated under title I of the Clean Air Act (42 U.S.C. 1857 et seq.),

''(C) that is depreciable under section 167,

''(D) that has a useful life of not less than 4 years, and

''(E) that is located in the United States.

''(2) SPECIAL RULE FOR SALE-LEASEBACKS.—For purposes of subparagraph (A) of paragraph (1), in the case of a unit that—

''(A) is originally placed in service by a person, and

''(B) is sold and leased back by such person, or is leased to such person, within 3 months after the date such unit was originally placed in service, for a period of not less than 12 years,

such unit shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback (or lease) referred to in subparagraph (B). The preceding sentence shall not apply to any property if the lessee and lessor of such property makes an election under this sentence. Such an election, once made, may be revoked only with the consent of the Secretary.

''(c) EXISTING COAL-BASED ELECTRICITY GENERATING UNIT.—For purposes of subsection (a), the term 'existing coal-based electricity generating unit' means, with respect to any taxable year, a steam generator-turbine unit that utilizes coal to produce 50 percent or more of its output as electricity and was in operation before the effective date of this section.

''(d) LIMIT ON QUALIFYING CLEAN COAL TECHNOLOGY UNIT CREDIT.—For purposes of subsection (a), the credit shall be applicable to no more than the first $100,000,000 of qualifying investment in a qualifying sys-

tem of continuous emission control at any 1 existing coal-based electricity generating unit.

''(e) QUALIFIED INVESTMENT.—For purposes of subsection (a), the term 'qualified investment' means, with respect to any taxable year, the basis of a qualifying system of continuous emission control placed in service by the taxpayer during such taxable year.

''(f) QUALIFIED PROGRESS EXPENDITURES.—

''(1) INCREASE IN QUALIFIED INVESTMENT.—In the case of a taxpayer who has made an election under paragraph (5), the amount of the qualified investment of such taxpayer for the taxable year (determined under subsection (c) without regard to this section) shall be increased by an amount equal to the aggregate of each qualified progress expenditure for the taxable year with respect to progress expenditure property.

''(2) PROGRESS EXPENDITURE PROPERTY DEFINED.—For purposes of this subsection, the term 'progress expenditure property' means any property being constructed by or for the taxpayer and which it is reasonable to believe will qualify as a qualifying system of continuous emission control which is being constructed by or for the taxpayer when it is placed in service.

''(3) QUALIFIED PROGRESS EXPENDITURES DEFINED.—For purposes of this subsection—

''(A) SELF-CONSTRUCTED PROPERTY.—In the case of any self-constructed property, the term 'qualified progress expenditures' means the amount which, for purposes of this subpart, is properly chargeable (during such taxable year) to capital account with respect to such property.

''(B) NON-SELF-CONSTRUCTED PROPERTY.—In the case of non-self-constructed property, the term 'qualified progress expenditures' means the amount paid during the taxable year to another person for the construction of such property.

''(4) OTHER DEFINITIONS.—For purposes of this subsection—

''(A) SELF-CONSTRUCTED PROPERTY.—The term 'self-constructed property' means property for which it is reasonable to believe that more than half of the construction expenditures will be made directly by the taxpayer.

''(B) NON-SELF-CONSTRUCTED PROPERTY.—The term 'non-self-constructed prop-

erty' means property which is not self-constructed property.

"(C) CONSTRUCTION, ETC.—The term 'construction' includes reconstruction and erection, and the term 'constructed' includes reconstructed and erected.

"(D) ONLY CONSTRUCTION OF QUALIFYING SYSTEM OF CONTINUOUS EMISSION CONTROL TO BE TAKEN INTO ACCOUNT.—Construction shall be taken into account only if, for purposes of this subpart, expenditures therefor are properly chargeable to capital account with respect to the property.

"(5) ELECTION.—An election under this subsection may be made at such time and in such manner as the Secretary may by regulations prescribe. Such an election shall apply to the taxable year for which made and to all subsequent taxable years. Such an election, once made, may not be revoked except with the consent of the Secretary.

"(g) COORDINATION WITH OTHER CREDITS.—This section shall not apply to any property with respect to which the rehabilitation credit under section 47 or the energy credit under section 48 is allowed unless the taxpayer

elects to waive the application of such credit to such property.

''(h) TERMINATION.—This section shall not apply with respect to any qualified investment made more than 10 years after the effective date of this section.''

(c) RECAPTURE.—Section 50(a) of the Internal Revenue Code of 1986 (relating to other special rules) is amended by adding at the end the following:

''(6) SPECIAL RULES RELATING TO QUALIFYING SYSTEM OF CONTINUOUS EMISSION CONTROL.—For purposes of applying this subsection in the case of any credit allowable by reason of section 48A, the following shall apply:

''(A) GENERAL RULE.—In lieu of the amount of the increase in tax under paragraph (1), the increase in tax shall be an amount equal to the investment tax credit allowed under section 38 for all prior taxable years with respect to a qualifying system of continuous emission control (as defined by section 48A(b)(1)) multiplied by a fraction whose numerator is the number of years remaining to fully depreciate under this title the qualifying system of continuous emission control disposed of, and whose denominator is the total number of years over

which such unit would otherwise have been subject to depreciation. For purposes of the preceding sentence, the year of disposition of the qualifying system of continuous emission control property shall be treated as a year of remaining depreciation.

''(B) PROPERTY CEASES TO QUALIFY FOR PROGRESS EXPENDITURES.—Rules similar to the rules of paragraph (2) shall apply in the case of qualified progress expenditures for a qualifying system of continuous emission control under section 48A, except that the amount of the increase in tax under subparagraph (A) of this paragraph shall be substituted in lieu of the amount described in such paragraph (2).

''(C) APPLICATION OF PARAGRAPH.—This paragraph shall be applied separately with respect to the credit allowed under section 38 regarding a qualifying system of continuous emission control.''

(d) TRANSITIONAL RULE.—Section 39(d) of the Internal Revenue Code of 1986 (relating to transitional rules) is amended by adding at the end the following:

''(10) NO CARRYBACK OF SECTION 48A CREDIT BEFORE EFFECTIVE DATE.—No portion of the un-

used business credit for any taxable year which is attributable to the qualifying clean coal technology unit credit determined under section 48A may be carried back to a taxable year ending before the date of the enactment of section 48A.''

(e) TECHNICAL AMENDMENTS.—

(1) Section 49(a)(1)(C) is amended by striking ''and'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', and'', and by adding at the end the following:

''(iv) the portion of the basis of any qualifying system of continuous emission control attributable to any qualified investment (as defined by section 48A(c)).''

(2) Section 50(a)(4) is amended by striking ''and (2)'' and inserting '', (2), and (6)''.

(3) Section 50(c)(3) is amended—

(A) by inserting ''(A)'' before ''In the case of any energy credit or reforestation credit'' and by striking ''(A)'' and ''(B)'' and inserting ''(i)'' and ''(ii)''; and

(B) by inserting after clause (ii) ''(B) Any clean coal technology unit credit shall be exempt from paragraph (1) and paragraph (2) of section 50(c).

(4) The table of sections for subpart E of part IV of subchapter A of chapter 1, as amended by section 101(d), is amended by inserting after the item relating to section 48 the following:

"Sec. 48A. Qualifying clean coal technology unit credit."

(f) INSTALLATIONS NOT SUBJECT TO NEW SOURCE REVIEW.—

(1) Installation of a qualifying system of continuous emission control shall be exempt from the new source review provisions of the Clean Air Act (42 U.S.C. 1857 et seq.).

(2) Installation of a qualifying system of continuous emission control that meets or exceeds, for the applicable source category and pollutant being controlled by the qualified system of continuous emission control, the standard of performance for new stationary sources, on an existing coal-based electricity generating unit shall exempt the unit from any new or increased emission control requirements for the pollutant being controlled by the qualified system of continuous emission control under title I of the Clean Air Act (42 U.S.C. 1857 et seq.) for a period of 10 years after the date the system of continuous emission control is placed in service.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to periods after December 31,

2000, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

SEC. 1032. CREDIT FOR PRODUCTION FROM A QUALIFYING CLEAN COAL TECHNOLOGY UNIT.

(a) CREDIT FOR PRODUCTION FROM A QUALIFYING CLEAN COAL TECHNOLOGY UNIT.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business related credits) is amended by adding at the end the following:

"SEC. 45E. CREDIT FOR PRODUCTION FROM A QUALIFYING CLEAN COAL TECHNOLOGY UNIT.

''(a) GENERAL RULE.—For purposes of section 38, the qualifying clean coal technology production credit of any taxpayer for any taxable year is equal to the product of—

''(1) the applicable clean coal technology production credit, multiplied by

''(2) the kilowatt hours of electricity—

''(A) produced by the taxpayer at a qualifying clean coal technology unit during the 10-year period beginning on the date the unit was returned to service after retrofit, repowering, or replacement, and

"(B) sold by the taxpayer to an unrelated person during such taxable year.

"(b) CLEAN COAL TECHNOLOGY PRODUCTION CREDIT.—For purposes of this section, the clean coal technology production credit is, except as otherwise provided for in this subparagraph, six tenths of a cent ($0.006).

"(c) INFLATION ADJUSTMENT FACTOR.—The applicable amount of the clean coal technology production credit shall each be adjusted by multiplying such amount by the inflation adjustment factor for the calendar year in which the amount is applied. If any amount as increased under the preceding sentence is not a multiple of 0.01 cent, such amount shall be rounded to the nearest multiple of 0.01 cent.

"(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) the term 'qualifying clean coal technology unit' means a unit of the taxpayer, which (A) is an existing coal-based electricity generating steam generator-turbine unit which (B) has a nameplate capacity rating of not more than 300,000 kilowatts, and (C) has been retrofitted, repowered, or replaced with a clean coal technology within 10 years of the effective date of this section,

"(2) the term 'clean coal technology' means technology that—

"(A) utilizes coal to produce 50 percent or more of its thermal output as electricity, including advanced pulverized coal or atmospheric fluidized bed combustion, pressurized fluidized bed combustion, integrated gasification combined cycle, or any other technology for the production of electricity,

"(B) has a design heat rate not less than 500 Btu/kWh below that of the existing unit before it is retrofit, repowered, or replaced with the qualifying clean coal technology,

"(C) has a maximum design heat rate of not more than 9,000 Btu/kWh when the design coal has a heat content of more than 8,000 Btu per pound, and

"(D) has a maximum design heat rate of not more than 10,500 Btu/kWh when the design coal has a heat content of 8,000 Btu per pound or less,

"(3) the rules of paragraphs (3), (4), and (5) of section 45 shall apply,

"(4) the term 'inflation adjustment factor' means, with respect to a calendar year, a fraction

the numerator of which is the GDP implicit price deflator for the preceding calendar year and the denominator of which is the GDP implicit price deflator for the calendar year 1998, and

''(5) the term 'GDP implicit price deflator' means the most recent revision of the implicit price deflator for the gross domestic product as computed by the Department of Commerce before March 15 of the calendar year.''

(c) CREDIT TREATED AS BUSINESS CREDIT.—Section 38(b) of the Internal Revenue Code of 1986 is amended by striking ''plus'' at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting '', plus'', and by adding at the end the following:

''(13) the qualifying clean coal technology production credit determined under section 45E(a).''

(d) TRANSITIONAL RULE.—Section 39(d) of the Internal Revenue Code of 1986 (relating to transitional rules), as amended by section 1031(d), is amended by adding at the end the following:

''(11) NO CARRYBACK OF CERTAIN CREDITS BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the credits allowable under any section added to this subpart by the amendments made

by the National Energy Security Act of 2000 may be carried back to a taxable year ending before the date of the enactment of such Act.''

(e) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

''Sec. 45E. Credit for production from qualifying clean coal technology unit.''

(f) MODIFICATIONS EXCLUDED FROM NEW SOURCE REVIEW.—

(1) Modifications made to an existing coal-based generation unit because of, or as part of a qualifying clean coal technology unit shall be exempt from the new source review provisions of the Clean Air Act (42 U.S.C. 1857 et seq.).

(2) Installation of a qualifying clean coal technology, that meets or exceeds, for the applicable source category, the standards of performance for new sources under section 111 of the Clean Air Act (42 U.S.C. 1857 et seq.), on an existing coal-based electricity generating unit shall exempt that unit from any new or increased emission control requirements under title I of the Clean Air Act (42 U.S.C. 1857 et seq.) for a period of 10 years after the

qualifying clean coal technology is originally placed in service.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to production after the date of the enactment of this Act.

SEC. 1033. DEBT REPAYMENT FOR THE INVESTMENT IN THE RETROFIT, REPOWERING, OR REPLACEMENT OF EXISTING COAL-BASED GENERATION WITH CERTAIN SYSTEMS OF CONTINUOUS EMISSION CONTROL AND CLEAN COAL TECHNOLOGY.

(a) ALLOWANCE OF DEBT REPAYMENT IN LIEU OF QUALIFYING CLEAN COAL TECHNOLOGY CREDITS.—The owner of a qualified system of continuous emission control under section 1031 or a qualified clean coal technology unit under section 1032 may elect to have the amount of the credits applied to the prepayment of any debt or obligations the owner has incurred under subchapter I, chapter 31, title 7 of the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.) and has been selected by the owner for such prepayment in lieu of a credit against the owner's tax obligations under the Internal Revenue Code of 1986.

(b) OWNER.—For purposes of this title, the owner of a qualified system of continuous emission control under section 1031 or a qualified clean coal technology unit

under section 1032 shall be deemed to be a taxpayer and thereby qualify for the credits for investment in a qualified system of continuous emission control or production from a qualifying clean coal technology facility as described in section 48A, section 45E and allowed by section 38, notwithstanding provisions to the contrary, of the Internal Revenue Code of 1986. Furthermore, neither the amount of the credit produced nor the use of such credit for the prepayment of debt as set forth in subsection (a) shall give rise to ''income'' for purposes of section 501(c)(12) of such Code.

(c) UNRELATED PERSON.—For purposes of this title, the term ''unrelated person'' shall have the meaning given to such term by section 45 of such Code.

Subtitle C—Incentives for Early Commercial Applications of Advanced Clean Coal Technologies

SEC. 1041. CREDIT FOR INVESTMENT IN QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY.

(a) ALLOWANCE OF QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY FACILITY CREDIT.—Section 46 of the Internal Revenue Code of 1986 (relating to amount of credit) is amended by striking ''and'' at the end of paragraph (3), by striking the period at the end of paragraph

(4) and inserting ", and", and by adding at the end the following:

"(5) the qualifying advanced clean coal technology facility credit."

(b) AMOUNT OF QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY FACILITY CREDIT.—Subpart E of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to rules for computing investment credit) is amended by inserting after section 48A the following:

"SEC. 48B. QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY FACILITY CREDIT.

"(a) IN GENERAL.—For purposes of section 46, the qualifying advanced clean coal technology facility credit for any taxable year is an amount equal to 10 percent of the qualified investment in a qualifying advanced clean coal technology facility for such taxable year.

"(b) QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY FACILITY.—

"(1) IN GENERAL.—For purposes of subsection (a) the term 'qualifying advanced clean coal technology facility' means a facility of the taxpayer—

"(A)(i)(I) which replaces a conventional technology facility of the taxpayer and the origi-

nal use of which commences with the taxpayer, or

"(II) which is a retrofitted or repowered conventional technology facility, the retrofitting or repowering of which is completed by the taxpayer (but only with respect to that portion of the basis which is properly attributable to such retrofitting or repowering), or

"(ii) which is acquired through purchase (as defined by section 179(d)(2)),

"(B) that is depreciable under section 167,

"(C) that has a useful life of not less than 4 years,

"(D) that is located in the United States, and

"(E) that uses qualifying advanced clean coal technology.

"(2) SPECIAL RULE FOR SALE-LEASEBACKS.—For purposes of subparagraph (A) of paragraph (1), in the case of a facility that—

"(A) is originally placed in service by a person, and

"(B) is sold and leased back by such person, or is leased to such person, within 3 months after the date such facility was origi-

nally placed in service, for a period of not less than 12 years,

such facility shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback (or lease) referred to in subparagraph (B). The preceding sentence shall not apply to any property if the lessee and lessor of such property make an election under this sentence. Such an election, once made, may be revoked only with the consent of the Secretary.

''(3) QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY.—For purposes of paragraph (1)(A)—

''(A) IN GENERAL.—The term 'qualifying advanced clean coal technology' means, with respect to clean coal technology—

''(i) applications totaling 1,000 megawatts of advanced pulverized coal or atmospheric fluidized bed combustion technology (I) installed as a new, retrofit, or repowering application, (II) operated between 2000 and 2015, (III) has a design net heat rate of not more than 8,750 Btu per kilowatt hour when the design coal has a heat content of more than 8,000 Btu per round, or has a design net heat rate of not

more than 9,500 Btu per kilowatt hour when the design coal has a heat content of 8,000 Btu per pound or less,

"(ii) applications totaling 1,500 megawatts of pressurized fluidized bed combustion technology installed as a new, retrofit, or repowering application and operated between 2000 and 2015 that has a design net heat rate of not more than 8,400 Btu per kilowatt hour when the design coal has a heat content of more than 8,000 Btu per pound, and has a design net heat rate of not more than 9,500 Btu's per kilowatt hour when the design coal has a heat content of 8,000 Btu per pound or less,

"(iii) applications totaling 1,500 megawatts of integrated gasification combined cycle technology (I) installed as a new, retrofit, or repowering application, (II) operated between 2000 and 2015, (III) has a design net heat rate of not more than 8,550 Btu per kilowatt hour when the design coal has a heat content of more than 8,000 Btu per pound, or (IV)

has a design net heat rate of not more than 9,500 Btu per kilowatt hour when the design coal has a heat content of 8,000 Btu per pound or less, and

"(iv) applications totaling 2,000 megawatts of technology for the production of electricity (I) installed as a new, retrofit, or repowering application, (II) operated between 2000 and 2015, and (III) has a carbon emission rate that is not more than 85 percent of conventional technology.

"(B) EXCEPTIONS.—Such term shall not include clean coal technology projects receiving or scheduled to receive funding under the Clean Coal Technology Program of the Department of Energy.

"(C) CLEAN COAL TECHNOLOGY.—The term 'clean coal technology' means advanced technology that utilizes coal to produce 50 percent or more of its thermal output as electricity including advanced pulverized coal or atmospheric fluidized bed combustion, pressurized fluidized bed combustion, integrated gasification combined cycle, and any other technology for

the production of electricity that exceeds the performance of conventional technology.

''(D) CONVENTIONAL TECHNOLOGY.—The term 'conventional technology' means—

''(i) coal-fired combustion technology with a design net heat rate of not less than 9,300 Btu's per kilowatt hour (HHV) and a carbon equivalents omission rate of not more than 0.53 pounds of carbon per kilowatt hour when the design coal has a heat content of more than 8,000 Btu per pound, or

''(ii) coal-fired combustion technology with a design net heat rate of not less than 10,500 Btu's per kilowatt hour (HHV) and a carbon equivalents emission rate of not more than 0.60 pounds of carbon per kilowatt hour when the design coal has a heat content of 8,000 Btu per pound or less, or

''(iii) natural gas-fired combustion technology with a design net heat rate of not less than 7,500 Btu's per kilowatt hour (HHV) and a carbon equivalents

emission rate of not more than 0.24 pound of carbon per kilowatt hour.

''(E) DESIGN NET HEAT RATE.—The term 'design net heat rate' shall be based on the design annual heat input to and the design annual net electrical output from the qualifying advanced clean coal technology (determined without regard to such technology's cogeneration of steam).

''(F) SELECTION CRITERIA.—Selection criteria for clean coal technology facilities—

''(i) shall be established by the Secretary of Energy as part of a competitive solicitation,

''(ii) shall include primary criteria of minimum design net heat rate, maximum design thermal efficiency, and lowest cost to the Government, and

''(iii) shall include supplemental criteria as determined appropriate by the Secretary of Energy.

''(c) QUALIFIED INVESTMENT.—For purposes of subsection (a), the term 'qualified investment' means, with respect to any taxable year, the basis of a qualifying ad-

vanced clean coal technology facility placed in service by the taxpayer during such taxable year.

''(d) QUALIFIED PROGRESS EXPENDITURES.—

''(1) INCREASE IN QUALIFIED INVESTMENT.—In the case of a taxpayer who has made an election under paragraph (5), the amount of the qualified investment of such taxpayer for the taxable year (determined under subsection (c) without regard to this section) shall be increased by an amount equal to the aggregate of each qualified progress expenditure for the taxable year with respect to progress expenditure property.

''(2) PROGRESS EXPENDITURE PROPERTY DEFINED.—For purposes of this subsection, the term 'progress expenditure property' means any property being constructed by or for the taxpayer and which it is reasonable to believe will qualify as a qualifying advanced clean coal technology facility which is being constructed by or for the taxpayer when it is placed in service.

''(3) QUALIFIED PROGRESS EXPENDITURES DEFINED.—For purposes of this subsection—

''(A) SELF-CONSTRUCTED PROPERTY.—In the case of any self-constructed property, the term 'qualified progress expenditures' means

the amount which, for purposes of this subpart, is properly chargeable (during such taxable year) to capital account with respect to such property.

''(B) NON-SELF-CONSTRUCTED PROPERTY.—In the case of non-self-constructed property, the term 'qualified progress expenditures' means the amount paid during the taxable year to another person for the construction of such property.

''(4) OTHER DEFINITIONS.—For purposes of this subsection—

''(A) SELF-CONSTRUCTED PROPERTY.—The term 'self-constructed property' means property for which it is reasonable to believe that more than half of the construction expenditures will be made directly by the taxpayer.

''(B) NON-SELF-CONSTRUCTED PROPERTY.—The term 'non-self-constructed property' means property which is not self-constructed property.

''(C) CONSTRUCTION, ETC.—The term 'construction' includes reconstruction and erection, and the term 'constructed' includes reconstructed and erected.

''(D) ONLY CONSTRUCTION OF QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY FACILITY TO BE TAKEN INTO ACCOUNT.—Construction shall be taken into account only if, for purposes of this subpart, expenditures therefor are properly chargeable to capital account with respect to the property.

''(5) ELECTION.—An election under this subsection may be made at such time and in such manner as the Secretary may by regulations prescribe. Such an election shall apply to the taxable year for which made and to all subsequent taxable years. Such an election, once made, may not be revoked except with the consent of the Secretary.

''(e) COORDINATION WITH OTHER CREDITS.—This section shall not apply to any property with respect to which the rehabilitation credit under section 47 or the energy credit under section 48 is allowed unless the taxpayer elects to waive the application of such credit to such property.

''(f) TERMINATION.—This section shall not apply with respect to any qualified investment made more than 10 years after the effective date of this section.''

(c) RECAPTURE.—Section 50(a) of the Internal Revenue Code of 1986 (relating to other special rules) is amended by adding at the end the following:

''(7) SPECIAL RULES RELATING TO QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY FACILITY.—For purposes of applying the subsection in the case of any credit allowable by reason of section 48B, the following shall apply:

''(A) GENERAL RULE.—In lieu of the amount of the increase in tax under paragraph (1), the increase in tax shall be an amount equal to the investment tax credit allowed under section 38 for all prior taxable years with respect to a qualifying advanced clean coal technology facility (as defined by section 48B(b)(1)) multiplied by a fraction whose numerator is the number of years remaining to fully depreciate under this title the qualifying advanced clean coal technology facility disposed of, and whose denominator is the total number of years over which such facility would otherwise have been subject to depreciation. For purposes of this preceding sentence, the year of disposition of the qualifying advanced clean coal technology

facility property shall be treated as a year of remaining depreciation.

''(B) PROPERTY CEASES TO QUALIFY FOR PROGRESS EXPENDITURES.—Rules similar to the rules of paragraph (2) shall apply in the case of qualified progress expenditures for a qualifying advanced clean coal technology facility under section 48B, except that the amount of the increase in tax under subparagraph (A) of this paragraph shall be substituted in lieu of the amount described in such paragraph (2).

''(C) APPLICATION OF PARAGRAPH.—This paragraph shall be applied separately with respect to the credit allowed under section 38 regarding a qualifying advanced clean coal technology facility.''

(d) TRANSITIONAL RULE.—Section 39(d) of the Internal Revenue Code of 1986 (relating to transitional rules) is amended by adding at the end the following:

''(12) NO CARRYBACK TO SECTION 48B CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the qualifying advanced clean coal technology facility credit determined under section

48B may be carried back to a taxable year ending before the date of the enactment of section 48B.''

(e) TECHNICAL AMENDMENTS.—

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

''(v) the portion of the basis of any qualifying advanced clean coal technology facility attributable to any qualified investment (as defined by section 48B(c)).''

(2) Section 50(a)(4) is amended by striking ''and (6)'' and inserting '', (6), and (7)''.

(3) Section 50(c)(3) is amended by inserting after subparagraph (C) the following:

''(D) Any advanced clean coal technology facility credit shall be exempt from paragraph (1) and paragraph (2) of section 50(c).

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

''Sec. 48B. Qualifying advanced clean coal technology facility credit.''

(f) INSTALLATIONS NOT SUBJECT TO NEW SOURCE REVIEW.—

(1) Installation of a qualifying advanced clean coal technology facility shall be exempt from the new source review provisions of the Clean Air Act (42 U.S.C. 1857 et seq.).

(2) Installation of a qualifying advanced clean coal technology facility that meets or exceeds, for the applicable source category, the standards of performance for new stationary sources established under section 111 of the Clean Air Act (42 U.S.C. 1857 et seq.), shall exempt that facility from any new or increased emission control requirements under title I of the Clean Air Act (42 U.S.C. 1857 et seq.) for a period of 10 years after the qualifying clean coal technology facility is originally placed in service.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to periods after December 31, 2000, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

SEC. 302. CREDIT FOR PRODUCTION FROM QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY.

(a) CREDIT FOR PRODUCTION FROM QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY.—Subpart D of

part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business related credits) is amended by adding at the end the following:

"SEC. 45F. CREDIT FOR PRODUCTION FROM QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY.

''(a) GENERAL RULE.—For purposes of section 38, the qualifying advanced clean coal technology production credit of any taxpayer for any taxable year is equal to—

''(1) the applicable amount of advanced clean coal technology production credit, multiplied by

''(2) the kilowatt hours of electricity—

''(A) produced by the taxpayer at a qualifying advanced clean coal technology facility during the 10-year period beginning on the date the facility was originally placed in service, and

''(B) sold by the taxpayer to an unrelated person during such taxable year.

''(b) APPLICABLE AMOUNT.—For purposes of this section, the applicable amount with respect to production from a qualifying advanced clean coal technology facility shall be determined as follows:

''(1) In the case of a facility originally placed in service before 2008, if

The facility design net heat rate, Btu/kWh (HHV) is equal to	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not more than 8,400	$.0130	$.0115
More than 8,400 but not more than 8,550	.0100	.0080
More than 8,550 but not more than 8,750	.0075	.0060

"(2) In the case of a facility originally placed in service after 2007 and before 2012, if

The facility design net heat rate, Btu/kWh (HHV) is equal to	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not more than 7,700	$.0135	$.0110
More than 7,700 but not more than 8,125	.0115	.0090
More than 8,125 but not more than 8,350	.0090	.0080

"(3) In the case of a facility originally placed in service after 2011 and before 2016, if

The facility design net heat rate, Btu/kWh (HHV) is equal to	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not more than 7,380	$.0155	$.0135
More than 7,380 but not more than 7,720	.0135	.0115

"(c) INFLATION ADJUSTMENT FACTOR.—Each amount in paragraphs (1), (2), and (3) shall be adjusted by multiplying such amount by the inflation adjustment factor for the calendar year in which the amount is applied. If any amount as increased under the preceding sentence is not a multiple of 0.01 cent, such amount shall be rounded to the nearest multiple of 0.01 cent.

''(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) the rules of paragraphs (3), (4), and (5) of section 45 shall apply,

''(2) the term 'inflation adjustment factor' means, with respect to a calendar year, a fraction the numerator of which is the GDP implicit price deflator for the preceding calendar year and the denominator of which is the GDP implicit price deflator for the calendar year 1998, and

''(3) the term 'GDP implicit price deflator' means the most recent revision of the implicit price deflator for the gross domestic product as computed by the Department of Commerce before March 15 of the calendar year.''

(b) CREDIT TREATED AS BUSINESS CREDIT.—Section 38(b) of the Internal Revenue Code of 1986 is amended by striking ''plus'' at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting '', plus'', and by adding at the end the following:

''(13) the qualifying advanced clean coal technology production credit determined under section 45F(a).''

(c) TRANSITIONAL RULE.—Section 39(d) of the Internal Revenue Code of 1986 (relating to transitional

rules), as amended by section 201(d), is amended by adding at the end the following:

"(13) NO CARRYBACK OF CERTAIN CREDITS BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the credits allowable under any section added to this subpart by the amendments made by the National Energy Security Tax Act of 2000 may be carried back to a taxable year ending before the date of the enactment of such Act."

(d) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

"Sec. 45F. Credit for production from qualifying advanced clean coal technology."

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to production after the date of the enactment of this Act.

SEC. 1043. DEBT REPAYMENT FOR THE INVESTMENT IN ADVANCED CLEAN COAL TECHNOLOGY.

(a) ALLOWANCE OF DEBT REPAYMENT IN LIEU OF QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY CREDITS.—The owner of a qualified advanced clean coal technology facility under sections 1041 and 1042 may elect to have the amount of the qualifying clean coal tech-

nology credits applied to the prepayment of any debt or obligations the owner has incurred under subchapter I, chapter 31, title 7 of the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq.) and has been selected by the owner for such prepayment in lieu of a credit against the owner's tax obligations under the Internal Revenue Code of 1986.

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