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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

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.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “National Energy Secu-
5 rity Act of 2000”.

6 **SEC. 2. FINDINGS AND PURPOSES.**

7 (a) FINDINGS.—The Congress finds that—

8 (1) increasing dependence on foreign sources of
9 oil causes systemic harm to all sectors of the domes-
10 tic United States economy, threatens National secu-
11 rity, undermines the ability of Federal, state, and
12 local units of government to provide essential serv-
13 ices, and jeopardizes the peace, security, and welfare
14 of the American people;

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

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

23 (4) the United States lacks a comprehensive na-
24 tional energy policy and has taken actions that limit

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

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

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

11 (7) in order to meet this goal, this comprehen-
12 sive energy strategy needs to be multi-faceted and
13 include enhancing the use of renewable energy re-
14 sources (including hydro, nuclear, solar, wind, and
15 biomass), conserving energy resources (including im-
16 proving energy efficiencies), and increasing domestic
17 supplies of nonrenewable resources (including oil,
18 natural gas, and coal);

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

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

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

3 (b) PURPOSES.—The purposes of this Act are to pro-
4 tect the energy security of the United States by decreasing
5 America’s dependency on foreign oil sources to not more
6 than 50 percent by the year 2010 by enhancing the use
7 of renewable energy resources, conserving energy re-
8 sources (including improving energy efficiencies), and in-
9 creasing domestic energy supplies and to mitigate the im-
10 mediate effect of increases in energy prices on the Amer-
11 ican consumer, including the poor and the elderly.

12 **TITLE I—ENERGY SECURITY AC-**
13 **TIONS REQUIRED OF THE**
14 **SECRETARY OF ENERGY**

15 **SEC. 101. ANNUAL REPORT ON UNITED STATES ENERGY**
16 **INDEPENDENCE.**

17 (a) REPORT.—Beginning on October 1, 2000, and
18 annually thereafter, the Secretary of Energy, in consulta-
19 tion with the Secretary of Defense and the heads of other
20 Federal agencies, shall submit a report to the President
21 and the Congress which evaluates the progress the United
22 States has made toward obtaining the goal of not more
23 than 50 percent dependence on foreign oil sources by
24 2010. The Secretary shall adopt as interim goals, a reduc-

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

3 (b) ALTERNATIVES.—The report submitted under
4 subsection (a) shall specify any specific legislation or ad-
5 ministrative actions necessary to meet the goal established
6 under such subsection, and set forth a range of options
7 and alternatives with a benefit/cost analysis for each op-
8 tion or alternative together with an estimate for the con-
9 tribution that each option or alternative could make to re-
10 duce foreign oil imports. The report shall indicate, in de-
11 tail, options and alternatives to—

12 (1) increase the use of renewable domestic en-
13 ergy sources, including conventional and non-conven-
14 tional sources such as, but not limited to, increased
15 hydroelectric generation at existing Federal facili-
16 ties,

17 (2) conserve energy resources, including improv-
18 ing efficiencies and decreasing consumption, and

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

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

1 mestic refinery industry and the extent of domestic stor-
2 age capacity for various categories of petroleum products
3 and make such recommendations as such Secretary be-
4 lieves will enhance domestic capabilities to respond to
5 short-term shortages of various fuels due to climate or
6 supply interruptions.

7 **SEC. 102. REPORT OF THE NATIONAL PETROLEUM COUN-**
8 **CIL.**

9 The Secretary of Energy shall review the report of
10 the National Petroleum Council submitted to him on De-
11 cember 15, 1999, and shall submit such report, together
12 with any recommendations for administrative or legislative
13 actions, to the President no later than September 30,
14 2000.

15 **SEC. 103. INTERAGENCY WORK GROUP ON NATURAL GAS.**

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

1 (b) STRATEGY AND COMPREHENSIVE POLICY.—The
2 Group shall develop a strategy and comprehensive policy
3 for the use of natural gas as an essential component of
4 overall national objectives of energy security, economic
5 growth, and environmental protection. In developing the
6 strategy and policy, the Group shall solicit and consider
7 suggestions from States and local units of government, in-
8 dustry, and other non-Federal groups, organizations, or
9 individuals possessing information or expertise in one or
10 more areas under review by the Group. The policy shall
11 recognize the significant lead times required for the devel-
12 opment of additional natural gas supplies and the delivery
13 infrastructure required to transport those supplies. The
14 Group shall consider, but is not limited to, issues of access
15 to and development of resources, transportation, tech-
16 nology development, environmental regulation and the as-
17 sociated economic and environmental costs of alternatives,
18 education of future workforce, financial incentives related
19 to exploration, production, transportation, development,
20 and use of natural gas.

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

1 natural gas and the specific elements of a national strat-
2 egy to achieve the objectives of the policy.

3 (d) SECRETARY REVIEW.—The Secretary of Energy
4 shall review the report and, within 3 months, submit the
5 report, together with any recommendations for adminis-
6 trative or legislative actions, to the President and the ap-
7 propriate committees of the Congress.

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

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

1 **TITLE II—AMENDMENTS TO EN-**
2 **ERGY POLICY AND CON-**
3 **SERVATION ACT AND AC-**
4 **TIONS AFFECTING THE STRA-**
5 **TEGIC PETROLEUM RESERVE**

6 **SEC. 201. AMENDMENTS TO TITLE I OF EPCA.**

7 Title I of the Energy Policy and Conservation Act
8 (42 U.S.C. 6211–6251) is amended—

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

10 (A) striking “and” at the end of (1)(A);

11 (B) striking “,” and inserting “; and” at
12 the end of (1)(B);

13 (C) inserting after paragraph (B) the fol-
14 lowing new paragraph:

15 “(C) concurs in the determination of the
16 Secretary of Defense that action taken under
17 this subsection will not impair national secu-
18 rity.”; and

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

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

1 (A) striking “for fiscal year 2000” and in-
2 serting “2003”; and

3 (B) striking “March 31, 2000” and insert-
4 ing “December 31, 2001”; and

5 (3) in section 181 (42 U.S.C. 6251), by striking
6 “March 31, 2000” each place it appears and insert-
7 ing “December 31, 2003”.

8 **SEC. 202. AMENDMENTS TO TITLE II OF EPCA.**

9 Title II of the Energy Policy and Conservation Act
10 (42 U.S.C. 6261–6285) is amended—

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

14 (2) in section 281 (42 U.S.C. 6285), by striking
15 ‘March 31, 2000’ each place it appears and inserting
16 “December 31, 2003”.

17 **SEC. 203. STRATEGIC PETROLEUM RESERVE STUDY AND**
18 **REPORT.**

19 The President shall immediately establish an Inter-
20 agency Panel on the Strategic Petroleum Study (referred
21 to as the “Panel” in this section) to study oil markets
22 and estimate the extent and frequency of fluctuations in
23 the supply and price of, and demand for crude oil in the
24 future and determine appropriate capacity of and uses for
25 the Strategic Petroleum Reserve. The Panel may rec-

1 commend changes in existing authorities to provide addi-
 2 tional flexibility for and strengthen the ability of the Stra-
 3 tegic Petroleum Reserve to respond to energy require-
 4 ments. The Panel shall complete its study and submit a
 5 report containing its findings and any recommendations
 6 to the President and the Congress within six months from
 7 the date of enactment of this Act.

8 **TITLE III—PROVISIONS TO PRO-**
 9 **TECT CONSUMERS AND LOW**
 10 **INCOME FAMILIES AND EN-**
 11 **COURAGE ENERGY EFFI-**
 12 **CIENCIES**

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

15 (a) The matter under the heading “ENERGY CON-
 16 SERVATION (INCLUDING TRANSFER OF FUNDS)” in title II
 17 of the Department of the Interior and Related Agencies
 18 Appropriations Act, 2000 (113 Stat. 1535, 1501A–180),
 19 is amended by striking “grants:” and all that follows and
 20 inserting “grants.”.

21 (b) Section 415 of the Energy Conservation and Pro-
 22 duction Act (42 U.S.C. 6865) is amended—

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

25 (2) in subsection (a)(2) by—

1 (A) striking “(A)”,

2 (B) striking “approve a State’s application
3 to waive the 40 percent requirement established
4 in paragraph (1) if the State includes in its
5 plan” and inserting “establish”, and

6 (C) striking subparagraph (B);

7 (3) in subsection (c)(1) by—

8 (A) striking “paragraphs (3) and (4)” and
9 inserting “paragraph (3)”;

10 (B) striking “\$1,600” and inserting
11 “\$2,500”;

12 (C) striking “and” at the end of subpara-
13 graph (C);

14 (D) striking the period and inserting “,
15 and” in subparagraph (D); and

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

18 “(E) the cost of making heating and cool-
19 ing modifications, including replacement.”;

20 (4) in subsection (c)(3) by—

21 (A) striking “1991, the \$1,600 per dwell-
22 ing unit limitation” and inserting “2000, the
23 \$2,500 per dwelling unit average”,

24 (B) striking “limitation” and inserting
25 “average” each time it appears, and

1 (C) inserting “the” after “begining of” in
2 subparagraph (B); and
3 (5) by striking subsection (c)(4).

4 **SEC. 302. SUMMER FILL AND FUEL BUDGETING PROGRAMS.**

5 (a) Part C of title II of the Energy Policy and Con-
6 servation Act (42 U.S.C. 6211 et seq.) is amended by add-
7 ing at the end the following:

8 “SUMMER FILL AND FUEL BUDGETING PROGRAMS

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

10 “(1) BUDGET CONTRACT.—The term ‘budget
11 contract’ means a contract between a retailer and a
12 consumer under which the heating expenses of the
13 consumer are spread evenly over a period of months.

14 “(2) FIXED-PRICE CONTRACT.—The term
15 ‘fixed-price contract’ means a contract between a re-
16 tailer and a consumer under which the retailer
17 charges the consumer a set price for propane, ker-
18 osene, or heating oil without regard to market price
19 fluctuations.

20 “(3) PRICE CAP CONTRACT.—The term ‘price
21 cap contract’ means a contract between a retailer
22 and a consumer under which the retailer charges the
23 consumer the market price for propane, kerosene, or
24 heating oil, but the cost of the propane, kerosene, or

1 heating oil may not exceed a maximum amount stat-
2 ed in the contract.

3 “(b) ASSISTANCE.—At the request of the chief execu-
4 tive officer of a State, the Secretary shall provide informa-
5 tion, technical assistance, and funding—

6 “(1) to develop education and outreach pro-
7 grams to encourage consumers to fill their storage
8 facilities for propane, kerosene, and heating oil dur-
9 ing the summer months; and

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

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

15 “(c) PREFERENCE.—In implementing this section,
16 the Secretary shall give preference to States that con-
17 tribute public funds or leverage private funds to develop
18 State summer fill and fuel budgeting programs.

19 “(d) AUTHORIZATION OF APPROPRIATIONS.—There
20 are authorized to be appropriated to carry out this
21 section—

22 “(1) \$25,000,000 for fiscal year 2001; and

23 “(2) such sums as are necessary for each fiscal
24 year thereafter.

1 “(e) INAPPLICABILITY OF EXPIRATION PROVISION.—
2 Section 281 shall not apply to this section.”.

3 (b) The table of contents in the first section of the
4 Energy Policy and Conservation Act (42 U.S.C. prec.
5 6201) is amended by inserting after the item relating to
6 section 272 the following:

“Sec. 273. Summer fill and fuel budgeting programs.”.

7 **SEC. 303. ENERGY EFFICIENCY SCIENCE INITIATIVE.**

8 There are authorized to be appropriated \$25,000,000
9 for fiscal year 2001 and such sums as are necessary for
10 each fiscal year thereafter for an Energy Efficiency
11 Science Initiative to be managed by the Assistant Sec-
12 retary for Energy Efficiency and Renewable Energy in
13 consultation with the Director of the Office of Science, for
14 grants to be competitively awarded and subject to peer re-
15 view for research relating to energy efficiency. The Sec-
16 retary of Energy shall submit to the Committee on Science
17 and the Committee on Appropriations of the House of
18 Representatives, and to the Committee on Energy and
19 Natural Resources and the Committee on Appropriations
20 of the Senate, an annual report on the activities of the
21 Energy Efficiency Science Initiative, including a descrip-
22 tion of the process used to award the funds and an expla-
23 nation of how the research relates to energy efficiency.

1 **TITLE IV—PROVISIONS TO EN-**
2 **HANCE THE USE OF DOMES-**
3 **TIC ENERGY RESOURCES**

4 **Subtitle A—Hydroelectric**
5 **Resources**

6 **SEC. 401. USE OF FEDERAL FACILITIES.**

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

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

15 (1) Describe, in detail, each facility that is ca-
16 pable, with or without modification, of producing ad-
17 ditional hydroelectric power. For each such facility,
18 the report shall state the full potential for the facil-
19 ity to generate hydroelectric power, whether the fa-
20 cility is currently generating hydroelectric power,
21 and the costs to install, upgrade, modify, or take
22 other actions to increase the hydroelectric generating
23 capability of the facility. For each facility that cur-
24 rently has hydroelectric generating equipment, the
25 report shall indicate the condition of such equip-

1 ment, the maintenance requirements, and the sched-
2 ule for any improvements as well as the purposes for
3 which power is generated.

4 (2) Describe what actions are planned and un-
5 derway to increase the hydroelectric production from
6 facilities under his jurisdiction and shall include any
7 recommendations the Secretary deems advisable to
8 increase such production, reduce costs, and improve
9 efficiency at Federal facilities, including, but not
10 limited to, use of lease of power privilege and con-
11 tracting with non-Federal entities for operation and
12 maintenance.

13 **SEC. 402. EXPEDITED FERC HYDROELECTRIC LICENSING**
14 **PROCEDURES.**

15 The Federal Energy Regulatory Commission shall
16 immediately undertake a comprehensive review of policies,
17 procedures and regulations for the licensing of hydro-
18 electric projects to determine how to reduce the cost and
19 time of obtaining a license. The Commission shall report
20 its findings within six months of the date of enactment
21 to the Congress, including any recommendations for legis-
22 lative changes.

1 **Subtitle B—Nuclear Resources**

2 **SEC. 410. NUCLEAR GENERATION.**

3 The Chairman of the Nuclear Regulatory Commis-
4 sion shall submit a report to the Congress within 6 months
5 from the date of enactment of this Act on the state of
6 nuclear power generation and production in the United
7 States and the potential for increasing nuclear generating
8 capacity and production as part of this nation’s energy
9 mix. The report shall also review the status of the reli-
10 censing process for civilian nuclear power plants, including
11 current and anticipated applications, and recommenda-
12 tions for improvements in the process, including rec-
13 ommendations for expediting the process and ensuring
14 that relicensing is accomplished in a timely manner.

15 **SEC. 411. NRC HEARING PROCEDURE.**

16 Section 189(a)(1) of the Atomic Energy Act of 1954
17 (42 U.S.C. 2239(a)(1)) is amended by adding at the end
18 the following—

19 “(C) A hearing under this section shall be conducted
20 using informal adjudicatory procedures established under
21 sections 553 and 555 of title 5, United States Code, unless
22 the Commission determines that formal adjudicatory pro-
23 cedures are necessary—

24 “(i) to develop a sufficient record; or

25 “(ii) to achieve fairness.”.

1 **Subtitle C—Development of a Na-**
2 **tional Spent Nuclear Fuel Strat-**
3 **egy**

4 **SEC. 415. FINDINGS.**

5 The Congress makes the following findings:

6 (1) Prior to permanent closure of the geologic
7 repository in Yucca Mountain, Congress must deter-
8 mine whether the spent fuel in the repository should
9 be treated as waste subject to permanent burial or
10 should be considered an energy resource that is
11 needed to meet future energy requirements.

12 (2) Future use of nuclear energy may require
13 construction of a second geologic repository unless
14 Yucca Mountain can safely accommodate additional
15 spent fuel. Improved spent fuel strategies may in-
16 crease the capacity of Yucca Mountain.

17 (3) Prior to construction of any second perma-
18 nent geologic repository, the nation's current plans
19 for permanent burial of spent fuel should be reeval-
20 ated.

21 **SEC. 416. OFFICE OF SPENT NUCLEAR FUEL RESEARCH.**

22 (a) ESTABLISHMENT.—There is established an Office
23 of Spent Nuclear Fuel Research (referred to as the “Of-
24 fice” in this section) within the Office of Nuclear Energy
25 Science and Technology of the Department of Energy.

1 The Office shall be headed by the Associate Director of
2 the Office of Nuclear Energy Science and Technology, who
3 shall be a member of the Senior Executive Service ap-
4 pointed by the Director of the Office of Nuclear Energy
5 Science and Technology and compensated at a rate deter-
6 mined by applicable law.

7 (b) ASSOCIATE DIRECTOR.—The Associate Director
8 of the Office of Spent Nuclear Fuel Research shall be re-
9 sponsible for carrying out an integrated research, develop-
10 ment, and demonstration program on technologies for
11 treatment, recycling, and disposal of high-level nuclear ra-
12 dioactive waste and spent nuclear fuel, subject to the gen-
13 eral supervision of the Secretary of Energy. The Associate
14 Director of the Office shall report to the Director of the
15 Office of Nuclear Energy Science and Technology. The
16 first such Associate Director shall be appointed within 90
17 days of the date of enactment of this Act.

18 (c) GRANT AND CONTRACT AUTHORITY.—In car-
19 rying out the Secretary's responsibilities under this sec-
20 tion, the Secretary may make grants or enter into con-
21 tracts for the purposes of the research projects and activi-
22 ties described in subsection (d)(2).

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

1 tigate technologies for the treatment, recycling, and dis-
2 posal of spent nuclear fuel and high-level radioactive
3 waste.

4 (2) The Associate Director of the Office shall:

5 (A) develop a research plan to provide rec-
6 ommendations by 2015 for the treatment, recycling,
7 and disposal of spent nuclear fuel and high-level ra-
8 dioactive waste;

9 (B) identify technologies for the treatment, re-
10 cycling, and disposal of spent nuclear fuel and high-
11 level radioactive waste;

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

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

18 (E) require research on both reactor- and accel-
19 erator-based transmutation systems;

20 (F) require research on advanced processing
21 and separations;

22 (G) encourage that research efforts include par-
23 ticipation of international collaborators;

24 (H) be authorized to fund international collabo-
25 rators when they bring unique capabilities not avail-

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

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

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

12 **Subtitle D—Coal Resources**

13 **SEC. 420. COAL GENERATING CAPACITY.**

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

1 vanced clean coal technologies. The report shall also in-
2 clude an assessment of the costs to develop and dem-
3 onstrate such technologies and the time required to under-
4 take such development and demonstration.

5 **SEC. 425. COAL LIQUEFACTION.**

6 The Secretary of Energy shall provide grants for the
7 refinement and demonstration of new technologies for the
8 conversion of coal to liquids. Such grants shall be for the
9 design and construction of an indirect liquefaction plant
10 capable of production in commercial quantities. There are
11 authorized to be appropriated for the purpose of this sec-
12 tion such sums as may be necessary through fiscal year
13 2004 facilities be sited or modified so as to avoid unneces-
14 sary duplication of roads and pipelines. The regulations
15 issued as required by section 504 of this title shall include
16 provisions granting rights-of-way and easements across
17 the Coastal Plain.

18 **TITLE V—IMPROVEMENTS TO**
19 **FEDERAL OIL AND GAS LEASE**
20 **MANAGEMENT**

21 **SEC. 501. TITLE.**

22 This title may be cited as the “Federal Oil and Gas
23 Lease Management Improvement Act of 2000”.

24 **SEC. 502. DEFINITIONS.**

25 In this title—

1 (1) APPLICATION FOR A PERMIT TO DRILL.—

2 The term “application for a permit to drill” means
3 a drilling plan including design, mechanical, and en-
4 gineering aspects for drilling a well.

5 (2) FEDERAL LAND.—

6 (A) IN GENERAL.—The term “Federal
7 land” means all land and interests in land
8 owned by the United States that are subject to
9 the mineral leasing laws, including mineral re-
10 sources or mineral estates reserved to the
11 United States in the conveyance of a surface or
12 nonmineral estate.

13 (B) EXCLUSION.—The term “Federal
14 land” does not include—

15 (i) Indian land (as defined in section
16 3 of the Federal Oil and Gas Royalty Man-
17 agement Act of 1982 (30 U.S.C. 1702));
18 or

19 (ii) submerged land on the outer Con-
20 tinental Shelf (as defined in section 2 of
21 the Outer Continental Shelf Lands Act (43
22 U.S.C. 1331)).

23 (3) OIL AND GAS CONSERVATION AUTHORITY.—

24 The term “oil and gas conservation authority”
25 means the agency or agencies in each State respon-

1 sible for regulating for conservation purposes oper-
2 ations to explore for and produce oil and natural
3 gas.

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

8 (5) SECRETARY.—The term “Secretary”
9 means—

10 (A) the Secretary of the Interior, with re-
11 spect to land under the administrative jurisdic-
12 tion of the Department of the Interior; and

13 (B) the Secretary of Agriculture, with re-
14 spect to land under the administrative jurisdic-
15 tion of the Department of Agriculture.

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

19 **SEC. 503. NO PROPERTY RIGHT.**

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

1 **Subtitle A—State Option To Regu-**
2 **late Oil and Gas Lease Oper-**
3 **ations on Federal Land**

4 **SEC. 510. TRANSFER OF AUTHORITY.**

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

11 (b) TRANSFER OF AUTHORITY.—

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

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

18 (A) processing and approving applications
19 for permits to drill, subject to surface use
20 agreements and other terms and conditions de-
21 termined by the Secretary;

22 (B) production operations;

23 (C) well testing;

24 (D) well completion;

25 (E) well spacing;

1 (F) communization;

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

4 (H) well abandonment procedures;

5 (I) inspections;

6 (J) enforcement activities; and

7 (K) site security.

8 (c) RETAINED AUTHORITY.—The Secretary shall—

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

12 (2) spend appropriated funds to ensure that
13 timely decisions are made respecting oil and gas
14 leasing, taking into consideration multiple uses of
15 Federal land, socioeconomic and environmental im-
16 pacts, and the results of consultations with State
17 and local government officials.

18 **SEC. 511. ACTIVITY FOLLOWING TRANSFER OF AUTHORITY.**

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

23 (b) STATE AUTHORITY.—

24 (1) IN GENERAL.—Following the transfer of au-
25 thority, each State shall enforce its own oil and gas

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

7 (2) APPEALS.—Following a transfer of author-
8 ity under section 510, an appeal of any decision
9 made by a State oil and gas conservation authority
10 shall be made in accordance with State administra-
11 tive procedures.

12 (c) PENDING ENFORCEMENT ACTIONS.—The Sec-
13 retary may continue to enforce any pending actions re-
14 specting acts committed before the date on which author-
15 ity is transferred to a State under section 510 until those
16 proceedings are concluded.

17 (d) PENDING APPLICATIONS.—

18 (1) TRANSFER TO STATE.—All applications re-
19 specting oil and gas lease operations and related op-
20 erations on Federal land pending before the Sec-
21 retary on the date on which authority is transferred
22 under section 510 shall be immediately transferred
23 to the oil and gas conservation authority of the
24 State in which the lease is located.

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

5 **Subtitle B—Use of Cost Savings**
6 **From State Regulation**

7 **SEC. 521. COMPENSATION FOR COSTS.**

8 (a) IN GENERAL.—Subject to the availability of ap-
9 propriations, the Secretary shall compensate any State for
10 costs incurred to carry out the authorities transferred
11 under section 510.

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

14 (c) COST BREAKDOWN REPORT.—Each State seek-
15 ing compensation shall report to the Secretary a cost
16 breakdown for the authorities transferred.

17 (d) LIMITATION ON AMOUNT.—

18 (1) IN GENERAL.—Compensation to a State
19 may not exceed 50 percent of the Secretary's allo-
20 cated cost for oil and gas leasing activities under
21 section 35(b) of the Mineral Leasing Act (30 U.S.C.
22 191(b)) for the State for fiscal year 1997.

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

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

4 **SEC. 522. EXCLUSION OF COSTS OF PREPARING PLANNING**
5 **DOCUMENTS AND ANALYSES.**

6 Section 35 of the Mineral Leasing Act (30 U.S.C.
7 191(b)) is amended by adding at the end the following:
8 “(6) The Secretary shall not include, for the purpose
9 of calculating the deduction under paragraph (1), costs
10 of preparing resource management planning documents
11 and analyses for areas in which mineral leasing is excluded
12 or areas in which the primary activity under review is not
13 mineral leasing and development.”.

14 **SEC. 523. RECEIPT SHARING.**

15 Section 35(b)(1) of the Mineral Leasing Act (30
16 U.S.C. 191(b)(1)) is amended by striking “paid to States”
17 and inserting “paid to States (other than States that ac-
18 cept a transfer of authority under section 510 of the Fed-
19 eral Oil and Gas Lease Management Act of 2000)”.

20 **Subtitle C—Streamlining and Cost**
21 **Reduction**

22 **SEC. 531. APPLICATIONS.**

23 (a) **LIMITATION ON COST RECOVERY.**—Notwith-
24 standing sections 304 and 504 of the Federal Land Policy
25 and Management Act of 1976 (43 U.S.C. 1734, 1764) and

1 section 9701 of title 31, United State Code, the Secretary
2 shall not recover the Secretary's costs with respect to ap-
3 plications and other documents relating to oil and gas
4 leases.

5 (b) COMPLETION OF PLANNING DOCUMENTS AND
6 ANALYSES.—

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

12 (2) PREPARATION BY APPLICANT OR LESSEE.—
13 If the Secretary is unable to complete the document
14 or analysis within the time prescribed by paragraph
15 (1), the Secretary shall notify the applicant or lessee
16 of the opportunity to prepare the required document
17 or analysis for the agency's review and use in deci-
18 sionmaking.

19 (c) REIMBURSEMENT FOR COSTS OF NEPA ANAL-
20 YSES, DOCUMENTATION, AND STUDIES.—If—

21 (1) adequate funding to enable the Secretary to
22 timely prepare a project-level analysis required
23 under the National Environmental Policy Act of
24 1969 (42 U.S.C. 4321 et seq.) with respect to an oil
25 or gas lease is not appropriated; and

1 (2) the lessee, operator, or operating rights
2 owner voluntarily pays for the cost of the required
3 analysis, documentation, or related study;
4 the Secretary shall reimburse the lessee, operator, or oper-
5 ating rights owner for its costs through royalty credits at-
6 tributable to the lease, unit agreement, or project area.

7 **SEC. 532. TIMELY ISSUANCE OF DECISIONS.**

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

11 (b) OFFER TO LEASE.—

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

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

18 (c) APPLICATION FOR PERMIT TO DRILL.—

19 (1) DEADLINE.—The Secretary and a State
20 that has accepted a transfer of authority under sec-
21 tion 510 shall approve or disapprove an application
22 for permit to drill not later than 30 days after re-
23 ceiving a complete application.

24 (2) FAILURE TO MEET DEADLINE.—If the ap-
25 plication is not acted on within the time prescribed

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

3 (d) SURFACE USE PLAN OF OPERATIONS.—The Sec-
4 retary shall approve or disapprove a surface use plan of
5 operations not later than 30 days after receipt of a com-
6 plete plan.

7 (e) ADMINISTRATIVE APPEALS.—

8 (1) DEADLINE.—From the time that a Federal
9 oil and gas lessee or operator files a notice of admin-
10 istrative appeal of a decision or order of an officer
11 or employee of the Department of the Interior or the
12 Forest Service respecting a Federal oil and gas Fed-
13 eral lease, the Secretary shall have 2 years in which
14 to issue a final decision in the appeal.

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

19 **SEC. 533. ELIMINATION OF UNWARRANTED DENIALS AND**
20 **STAYS.**

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

1 (b) LAND DESIGNATED FOR MULTIPLE USE.—

2 (1) IN GENERAL.—Land designated as available
3 for multiple use under Bureau of Land Management
4 resource management plans and Forest Service leas-
5 ing analyses shall be available for oil and gas leasing
6 without lease stipulations more stringent than re-
7 strictions on surface use and operations imposed
8 under the laws (including regulations) of the State
9 in which the lands are located unless the Secretary
10 includes in the decision approving the management
11 plan or leasing analysis a written explanation why
12 more stringent stipulations are warranted.

13 (2) APPEAL.—Any decision to require a more
14 stringent stipulation shall be administratively ap-
15 pealable and, following a final agency decision, shall
16 be subject to judicial review.

17 (c) REJECTION OF OFFER TO LEASE.—

18 (1) IN GENERAL.—If the Secretary rejects an
19 offer to lease on the ground that the land is unavail-
20 able for leasing, the Secretary shall provide a writ-
21 ten, detailed explanation of the reasons the land is
22 unavailable for leasing.

23 (2) PREVIOUS RESOURCE MANAGEMENT DECI-
24 SION.—If the determination of unavailability is
25 based on a previous resource management decision,

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

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

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

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

1 **SEC. 534. REPORTS.**

2 (a) IN GENERAL.—Not later than March 31, 2001,
3 the Secretaries shall jointly submit to the Congress a re-
4 port explaining the most efficient means of eliminating
5 overlapping jurisdiction, duplication of effort, and incon-
6 sistent policymaking and policy implementation as be-
7 tween the Bureau of Land Management and the Forest
8 Service.

9 (b) RECOMMENDATIONS.—The report shall include
10 recommendations on statutory changes needed to imple-
11 ment the report's conclusions.

12 **SEC. 535. SCIENTIFIC INVENTORY OF OIL AND GAS RE-**
13 **SERVES.**

14 (a) IN GENERAL.—Not later than March 31, 2001,
15 the Secretary of the Interior, in consultation with the Di-
16 rector of the United States Geological Survey, shall pub-
17 lish, through notice in the Federal Register, a science-
18 based national inventory of the oil and gas reserves and
19 potential resources underlying Federal land and the Outer
20 Continental Shelf.

21 (b) CONTENTS.—The inventory shall—

22 (1) indicate what percentage of the oil and gas
23 reserves and resources is currently available for leas-
24 ing and development;

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

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

4 (B) land that is open for leasing or devel-
5 opment subject to no surface occupancy stipula-
6 tions; and

7 (C) land that is open for leasing or devel-
8 opment subject to other lease stipulations that
9 have significantly impeded or prevented, or are
10 likely to significantly impede or prevent, devel-
11 opment; and

12 (3) indicate the percentage of oil and gas re-
13 sources that are not available for leasing or are
14 withdrawn from leasing.

15 (c) PUBLIC COMMENT.—

16 (1) IN GENERAL.—The Secretary of the Inte-
17 rior shall invite public comment on the inventory to
18 be filed not later than September 30, 2001.

19 (2) RESOURCE MANAGEMENT DECISIONS.—Spe-
20 cifically, the Secretary of the Interior shall invite
21 public comment on the effect of Federal resource
22 management decisions on past and future oil and
23 gas development.

24 (d) REPORT.—

1 (1) IN GENERAL.—Not later than March 31,
2 2002, the Secretary of the Interior shall submit to
3 the President of the Senate and the Speaker of the
4 House of Representatives a report comprised of the
5 revised inventory and responses to the public com-
6 ments.

7 (2) CONTENTS.—The report shall specifically
8 indicate what steps the Secretaries believe are nec-
9 essary to increase the percentage of land open for
10 development of oil and gas resources.

11 **Subtitle D—Federal Royalty**
12 **Certainty**

13 **SEC. 541. DEFINITIONS.**

14 In this subtitle:

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

21 (2) REASONABLE COMMERCIAL RATE.—

22 (A) IN GENERAL.—The term “reasonable
23 commercial rate” means—

1 (i) in the case of an arm's-length con-
2 tract, the actual cost incurred by the les-
3 see; or

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

6 (I) the rate charged in a contract
7 for similar services in the same area
8 between parties with opposing eco-
9 nomic interests; or

10 (II) if there are no arm's-length
11 contracts for similar services in the
12 same area, the just and reasonable
13 rate for the transportation service
14 rendered by the lessee or lessee's affil-
15 iate.

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

21 **SEC. 542. AMENDMENT OF OUTER CONTINENTAL SHELF**
22 **LANDS ACT.**

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

1 *vided*, That if the payment is in value or amount, the roy-
 2 alty due in value shall be based on the value of oil or gas
 3 production at the lease in marketable condition, and the
 4 royalty due in amount shall be based on the royalty share
 5 of production at the lease; and if the payment in value
 6 or amount is calculated from a point away from the lease,
 7 the payment shall be adjusted for quality and location dif-
 8 ferentials, and the lessee shall be allowed reimbursements
 9 at a reasonable commercial rate for transportation (in-
 10 cluding transportation to the point where the production
 11 is put in marketable condition), marketing, processing,
 12 and other services beyond the lease through the point of
 13 sale, other disposition, or delivery;”.

14 **SEC. 543. AMENDMENT OF MINERAL LEASING ACT.**

15 Section 17(c) of the Mineral Leasing Act (30 U.S.C.
 16 226(c)) is amended by adding at the end the following:

17 “(3) ROYALTY DUE IN VALUE.—

18 “(A) IN GENERAL.—Royalty due in value
 19 shall be based on the value of oil or gas produc-
 20 tion at the lease in marketable condition, and
 21 the royalty due in amount shall be based on the
 22 royalty share of production at the lease.

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

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

3 “(i) the payment shall be adjusted for
4 quality and location differentials; and

5 “(ii) the lessee shall be allowed reim-
6 bursements at a reasonable commercial
7 rate for transportation (including transpor-
8 tation to the point where the production is
9 put in marketable condition), marketing,
10 processing, and other services beyond the
11 lease through the point of sale, other dis-
12 position, or delivery;”.

13 **SEC. 544. INDIAN LAND.**

14 This subtitle shall not apply with respect to Indian
15 land.

16 **Subtitle E—Royalty Reinvestment**
17 **in America**

18 **SEC. 551. ROYALTY INCENTIVE PROGRAM.**

19 (a) IN GENERAL.—To encourage exploration and de-
20 velopment expenditures on Federal land and the Outer
21 Continental Shelf for the development of oil and gas re-
22 sources when the cash price of West Texas Intermediate
23 crude oil, as posted on the Dow Jones Commodities Index
24 chart, is less than \$18 per barrel for 90 consecutive pric-
25 ing days or when natural gas prices as delivered at Henry

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

8 (b) NO CREDITING AGAINST ONSHORE FEDERAL
9 ROYALTY OBLIGATIONS.—In no case shall such capital ex-
10 penditures made on Outer Continental Shelf leases be
11 credited against onshore Federal royalty obligations.

12 **SEC. 552. MARGINAL WELL PRODUCTION INCENTIVES.**

13 To enhance the economics of marginal oil and gas
14 production by increasing the ultimate recovery from mar-
15 ginal wells when the cash price of West Texas Inter-
16 mediate crude oil, as posted on the Dow Jones Commod-
17 ities Index chart, is less than \$18 per barrel for 90 con-
18 secutive pricing days or when natural gas prices are deliv-
19 ered at Henry Hub, Louisiana, are less than \$2.30 per
20 million British thermal units for 90 consecutive days, the
21 Secretary shall reduce the royalty rate as production de-
22 clines for—

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

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

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

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

7 **SEC. 553. SUSPENSION OF PRODUCTION ON OIL AND GAS**
8 **OPERATIONS.**

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

15 (b) PRODUCTION QUANTITIES NOT A FACTOR.—A
16 notice under subsection (a) may be submitted without re-
17 gard to per day production quantities at the well and with-
18 out regard to the requirements of subsection (a) of section
19 3103.4–4 of title 43 of the Code of Federal Regulations
20 (or any successor regulation), respecting the granting of
21 such relief, except that the notice shall be submitted to
22 an office in the Department of the Interior designated by
23 the Secretary of the Interior.

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

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

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

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

11 **TITLE VI—FRONTIER OIL AND**
12 **GAS EXPLORATION AND DE-**
13 **VELOPMENT INCENTIVES**

14 **SEC. 601. TITLE.**

15 This title may be cited as the “Frontier Exploration
16 and Development Incentives Act of 2000”.

17 **SEC. 602. AMENDMENTS TO THE OUTER CONTINENTAL**
18 **SHELF LANDS ACT.**

19 (a) CASH BONUS BID FIXED SHARE OF NET PROF-
20 ITS.—Section 8(a)(1)(D) of the Outer Continental Shelf
21 Lands Act, (43 U.S.C. 1337(a)(1)(D)) is amended by
22 striking “area;” and inserting “area, except that for pro-
23 duction in the Beaufort Sea and Chukchi Sea Planning
24 Areas of Alaska the Secretary is authorized to set the net
25 profit share at 16²/₃ percent;”.

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

4 “(10)(A) After an oil and gas lease is granted pursu-
5 ant to any of the bidding systems under paragraph (1),
6 the Secretary shall reduce any future royalty or rental ob-
7 ligation of the lessee on any lease issued by the Secretary
8 (and proposed by the lessee for such reduction) by an
9 amount equal to—

10 “(i) 10 percent of the qualified costs of explor-
11 atory wells drilled or geophysical work performed on
12 any lease issued by the Secretary, whichever is
13 greater, pursuant to this Act in the Beaufort Sea
14 and Chukci Sea Planning Areas of Alaska; plus

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

19 “(B) For purposes of this paragraph:

20 “(i) The term ‘qualified costs’ means the costs
21 allocated to the exploratory well or geophysical work
22 in support of an exploration program pursuant to
23 section 263(j) the Internal Revenue Code of 1986.

24 “(ii) The term ‘exploratory well’ means either
25 an exploratory well as defined by the United States

1 Securities and Exchange Commission in section
 2 2100.4–10(a)(10) of title 17, Code of Federal Regu-
 3 lations, or a well three or more miles from any oil
 4 or gas well or a pipeline that transports oil or gas
 5 to a market or terminal.

6 “(iii) The term ‘geophysical work’ means all
 7 geophysical data gathering methods used in hydro-
 8 carbon exploration and includes seismic, gravity,
 9 magnetic, and electromagnetic measurements.

10 “(C) For purposes of this paragraph, all distances
 11 shall be measured in horizontal distance. If a measure-
 12 ment beginning or ending point is a well, the measurement
 13 point shall be the bottom hole location of that well.”.

14 **TITLE VII—TAX MEASURES TO**
 15 **ENHANCE DOMESTIC OIL AND**
 16 **GAS PRODUCTION**

17 **Subtitle A—Marginal Well**
 18 **Preservation**

19 **SEC. 701. SHORT TITLE; PURPOSE.**

20 (a) **SHORT TITLE.**—This subtitle may be cited as the
 21 “Marginal Well Preservation Act of 2000”.

22 (b) **PURPOSE.**—The purpose of section 702 is to pre-
 23 vent the abandonment of marginal oil and gas wells re-
 24 sponsible for half of the domestic production of oil and
 25 gas in the United States and of section 703 is to recognize

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

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

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

10 **“SEC. 45D. CREDIT FOR PRODUCING OIL AND GAS FROM**
11 **MARGINAL WELLS.**

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

15 “(1) the credit amount, and

16 “(2) the qualified crude oil production and the
17 qualified natural gas production which is attrib-
18 utable to the taxpayer.

19 “(b) CREDIT AMOUNT.—For purposes of this
20 section—

21 “(1) IN GENERAL.—The credit amount is—

22 “(A) \$3 per barrel of qualified crude oil
23 production, and

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

1 “(2) REDUCTION AS OIL AND GAS PRICES IN-
2 CREASE.—

3 “(A) IN GENERAL.—The \$3 and 50 cents
4 amounts under paragraph (1) shall each be re-
5 duced (but not below zero) by an amount which
6 bears the same ratio to such amount (deter-
7 mined without regard to this paragraph) as—

8 “(i) the excess (if any) of the applica-
9 ble reference price over \$14 (\$1.56 for
10 qualified natural gas production), bears to

11 “(ii) \$3 (\$0.33 for qualified natural
12 gas production).

13 The applicable reference price for a taxable
14 year is the reference price for the calendar year
15 preceding the calendar year in which the tax-
16 able year begins.

17 “(B) INFLATION ADJUSTMENT.—In the
18 case of any taxable year beginning in a calendar
19 year after 2000, each of the dollar amounts
20 contained in subparagraph (A) shall be in-
21 creased to an amount equal to such dollar
22 amount multiplied by the inflation adjustment
23 factor for such calendar year (determined under
24 section 43(b)(3)(B) by substituting ‘2000’ for
25 ‘1990’).

1 “(C) REFERENCE PRICE.—For purposes of
2 this paragraph, the term ‘reference price’
3 means, with respect to any calendar year—

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

7 “(ii) in the case of qualified natural
8 gas production, the Secretary’s estimate of
9 the annual average wellhead price per
10 1,000 cubic feet for all domestic natural
11 gas.

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

14 “(1) IN GENERAL.—The terms ‘qualified crude
15 oil production’ and ‘qualified natural gas production’
16 mean domestic crude oil or natural gas which is pro-
17 duced from a marginal well.

18 “(2) LIMITATION ON AMOUNT OF PRODUCTION
19 WHICH MAY QUALIFY.—

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

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

3 “(B) PROPORTIONATE REDUCTIONS.—

4 “(i) SHORT TAXABLE YEARS.—In the
5 case of a short taxable year, the limitations
6 under this paragraph shall be proportion-
7 ately reduced to reflect the ratio which the
8 number of days in such taxable year bears
9 to 365.

10 “(ii) WELLS NOT IN PRODUCTION EN-
11 TIRE YEAR.—In the case of a well which is
12 not capable of production during each day
13 of a taxable year, the limitations under
14 this paragraph applicable to the well shall
15 be proportionately reduced to reflect the
16 ratio which the number of days of produc-
17 tion bears to the total number of days in
18 the taxable year.

19 “(3) DEFINITIONS.—

20 “(A) MARGINAL WELL.—The term ‘mar-
21 ginal well’ means a domestic well—

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

25 “(ii) which, during the taxable year—

1 “(I) has average daily production
2 of not more than 25 barrel equiva-
3 lents, and

4 “(II) produces water at a rate
5 not less than 95 percent of total well
6 effluent.

7 “(B) CRUDE OIL, ETC.—The terms ‘crude
8 oil’, ‘natural gas’, ‘domestic’, and ‘barrel’ have
9 the meanings given such terms by section
10 613A(e).

11 “(C) BARREL EQUIVALENT.—The term
12 ‘barrel equivalent’ means, with respect to nat-
13 ural gas, a conversion ratio of 6,000 cubic feet
14 of natural gas to 1 barrel of crude oil.

15 “(d) OTHER RULES.—

16 “(1) PRODUCTION ATTRIBUTABLE TO THE TAX-
17 PAYER.—In the case of a marginal well in which
18 there is more than one owner of operating interests
19 in the well and the crude oil or natural gas produc-
20 tion exceeds the limitation under subsection (c)(2),
21 qualifying crude oil production or qualifying natural
22 gas production attributable to the taxpayer shall be
23 determined on the basis of the ratio which tax-
24 payer’s revenue interest in the production bears to

1 the aggregate to the revenue interests of all oper-
2 ating interest owners in the production.

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

7 “(3) PRODUCTION FROM NONCONVENTIONAL
8 SOURCES EXCLUDED.—In the case of production
9 from a marginal well which is eligible for the credit
10 allowed under section 29 for the taxable year, no
11 credit shall be allowable under this section unless
12 the taxpayer elects not to claim credit under section
13 29 with respect to the well.”.

14 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-
15 tion 38(b) of such Code is amended by striking “plus”
16 at the end of paragraph (11), by striking the period at
17 the end of paragraph (12) and inserting”, plus”, and by
18 adding at the end of the following new paragraph:

19 “(13) the marginal oil and gas well production
20 credit determined under section 45D(a).”.

21 (c) CREDIT ALLOWED AGAINST REGULAR AND MIN-
22 IMUM TAX.—

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

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

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

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

7 “(i) this section and section 39 shall
8 be applied separately with respect to the
9 credit, and

10 “(ii) in applying paragraph (1) to the
11 credit—

12 “(I) subparagraphs (A) and (B)
13 thereof shall not apply, and

14 “(II) the limitation under para-
15 graph (1) (as modified by subclause
16 (I)) shall be reduced by the credit al-
17 lowed under subsection (a) for the
18 taxable year (other than the marginal
19 oil and gas well production credit).

20 “(B) MARGINAL OIL AND GAS WELL PRO-
21 Duction CREDIT.—For purposes of this sub-
22 section, the term ‘marginal oil and gas well pro-
23 duction credit’ means the credit allowable under
24 subsection (a) by reason of section 45D(a).”.

1 (2) CONFORMING AMENDMENT.—Subclause (II)
2 of section 38(c)(2)(A)(ii) of such Code is amended
3 by inserting “or the marginal oil and gas well pro-
4 duction credit” after “employment credit”.

5 (d) CARRYBACK.—Subsection (a) of section 39 of
6 such Code (relating to carryback and carryforward of un-
7 used credits generally) is amended by adding at the end
8 the following new paragraph:

9 “(3) 10-YEAR CARRYBACK FOR MARGINAL OIL
10 AND GAS WELL PRODUCTION CREDIT.—In the case
11 of the marginal oil and gas well production credit—

12 “(A) this section shall be applied sepa-
13 rately from the business credit (other than the
14 marginal oil and gas well production credit),

15 “(B) paragraph (1) shall be applied by
16 substituting ‘10 taxable year’ for ‘1 taxable
17 year’ in subparagraph (A) thereof, and

18 “(C) paragraph (2) shall be applied—

19 “(i) by substituting ‘31 taxable years’
20 for ‘21 taxable years’ in subparagraph (A)
21 thereof, and

22 “(ii) by substituting ‘30 taxable years’
23 for ‘20 taxable years’ in subparagraph (B)
24 thereof.”.

1 (e) COORDINATION WITH SECTION 29.—Section
 2 29(a) of such Code is amended by striking “There” and
 3 inserting “At the election of the taxpayer, there.”

4 (f) CLERICAL AMENDMENT.—The table of sections
 5 for subpart D of part IV of subchapter A of chapter 1
 6 of such Code is amended by adding at the end the fol-
 7 lowing item:

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

8 (g) EFFECTIVE DATE.—The amendments made by
 9 this section shall apply to production in taxable years be-
 10 ginning after December 31, 2000.

11 **SEC. 703. ELECTION TO EXPENSE GEOLOGICAL AND GEO-**
 12 **PHYSICAL EXPENDITURES AND DELAY RENT-**
 13 **AL PAYMENTS.**

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

16 (1) IN GENERAL.—Section 263 of the Internal
 17 Revenue Code of 1986 (relating to capital expendi-
 18 tures) is amended by adding at the end the following
 19 new subsection:

20 “(j) GEOLOGICAL AND GEOPHYSICAL EXPENDI-
 21 TURES FOR OIL AND WELLS.—Notwithstanding sub-
 22 section (a), a taxpayer may elect to treat geological and
 23 geophysical expenses incurred in connection with the ex-
 24 ploration for, or development of, oil or gas as expenses
 25 which are not chargeable to capital account. Any expenses

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

3 (2) CONFORMING AMENDMENT.—Section
4 263A(c)(3) of such Code is amended by inserting
5 “263(j),” after “263(i),”.

6 (3) EFFECTIVE DATE.—

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

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

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

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

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

9 “(k) DELAY RENTAL PAYMENTS FOR DOMESTIC OIL
10 AND GAS WELLS.—

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

19 “(2) DELAY RENTAL PAYMENTS.—For purposes
20 of paragraph (1), the term ‘delay rental payment’
21 means an amount paid for the privilege of deferring
22 the drilling of an oil or gas well under an oil or gas
23 lease.”.

24 (2) CONFORMING AMENDMENT.—Section
25 263A(c)(3) of such Code, as amended by subsection

1 (a)(2), is amended by inserting “263(k),” after
2 “263(j),”.

3 (3) EFFECTIVE DATE.—

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

8 (B) TRANSITION RULE.—In the case of
9 any payments described in section 263(k) of the
10 Internal Revenue Code of 1986, as added by
11 this subsection, which were made or incurred on
12 or before the date of the enactment of this Act,
13 the taxpayer may elect, at such time and in
14 such manner as the Secretary of the Treasury
15 may prescribe, to amortize the suspended por-
16 tion of such payments over the 36-month period
17 beginning with the month in which the date of
18 the enactment of this Act occurs. For purposes
19 of this subparagraph, the suspended portion of
20 any payment is that portion of such payment
21 which, as of the first day of the 36-month pe-
22 riod, has not been included in the cost of a
23 property or otherwise deducted.

1 **Subtitle B—Independent Oil and**
2 **Gas Producers**

3 **SEC. 711. 5-YEAR NET OPERATING LOSS CARRYBACK FOR**
4 **LOSSES ATTRIBUTABLE TO OPERATING MIN-**
5 **ERAL INTERESTS OF INDEPENDENT OIL AND**
6 **GAS PRODUCERS.**

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

11 “(H) LOSSES ON OPERATING MINERAL IN-
12 TERESTS OF INDEPENDENT OIL AND GAS PRO-
13 DUCERS.—In the case of a taxpayer—

14 “(i) which has an eligible oil and gas
15 loss (as defined in subsection (j)) for a tax-
16 able year, and

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

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

1 subsection (k) and by inserting after subsection (i) the fol-
2 lowing new subsection—

3 “(j) ELIGIBLE OIL AND GAS LOSS.—For purposes of
4 this section—

5 “(1) IN GENERAL.—The term ‘eligible oil and
6 gas loss’ means the lesser of—

7 “(A) the amount which would be the net
8 operating loss for the taxable year if only in-
9 come and deductions attributable to operating
10 mineral interests (as defined in section 614(d))
11 in oil and gas wells are taken into account, or

12 “(B) the amount of the net operating loss
13 for such taxable year.

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

19 “(3) ELECTION.—Any taxpayer entitled to a 5-
20 year carryback under subsection (b)(1)(H) from any
21 loss year may elect to have the carryback period
22 with respect to such loss year determined without re-
23 gard to subsection (b)(1)(H).”.

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

4 **SEC. 712. TEMPORARY SUSPENSION OF LIMITATION BASED**
5 **ON 65 PERCENT OF TAXABLE INCOME AND**
6 **EXTENSION OF SUSPENSION OF TAXABLE IN-**
7 **COME LIMIT WITH RESPECT TO MARGINAL**
8 **PRODUCTION.**

9 (a) LIMITATION BASED ON 65 PERCENT OF TAX-
10 ABLE INCOME.—Subsection (d) of section 613A of the In-
11 ternal Revenue Code of 1986 (relating to limitation on
12 percentage depletion in case of oil and gas wells) is amend-
13 ed by adding at the end the following new paragraph:

14 “(6) TEMPORARY SUSPENSION OF TAXABLE IN-
15 COME LIMIT.—Paragraph (1) shall not apply to tax-
16 able years beginning after December 31, 1999, and
17 before January 1, 2006, including with respect to
18 amounts carried under the second sentence of para-
19 graph (1) to such taxable years.”.

20 (b) EXTENSION OF SUSPENSION OF TAXABLE IN-
21 COME LIMIT WITH RESPECT TO MARGINAL PRODUC-
22 TION.—Subparagraph (H) of section 613A(c)(6) of such
23 Code (relating to temporary suspension of taxable income
24 limit with respect to marginal production) is amended by
25 striking “2002” and inserting “2006”.

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

4 **Subtitle C—Other Provisions**

5 **SEC. 721. REPEAL OF REQUIREMENT OF CERTAIN AP-**
6 **PROVED TERMINALS TO OFFER DYED DIESEL**
7 **FUEL AND KEROSENE FOR NONTAXABLE**
8 **PURPOSES.**

9 Section 4101 of the Internal Revenue Code of 1986
10 (relating to certain approved terminals of registered per-
11 sons required to offer dyed diesel fuel and kerosene for
12 nontaxable purposes) is amended by striking subsection
13 (e).

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

17 (a) IN GENERAL.—Subparagraph (C) of section
18 43(c)(1) of the Internal Revenue Code of 1986 (defining
19 qualified enhanced oil recovery costs) is amended to read
20 as follows:

21 “(C) Any qualified tertiary injectant ex-
22 penses (as defined in section 193(b)(1)) which
23 are paid or incurred during the taxable year in
24 connection with a qualified enhanced oil recov-
25 ery project.”.

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

4 **TITLE VIII—TAX MEASURES TO**
5 **ENHANCE THE USE OF RE-**
6 **NEWABLE ENERGY SOURCES,**
7 **IMPROVE ENERGY EFFI-**
8 **CIENCIES, PROTECT CON-**
9 **SUMERS AND CONVERSION**
10 **TO CLEAN BURNING FUELS**

11 **SEC. 801. CREDIT FOR ELECTRICITY PRODUCED FROM RE-**
12 **NEWABLE RESOURCES.**

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

17 “(B) BIOMASS FACILITIES.—In the case of
18 a facility using biomass to produce electricity,
19 the term ‘qualified facility’ means, with respect
20 to any month, any facility owned, leased, or op-
21 erated by the taxpayer which is originally
22 placed in service before July 1, 2005, if, for
23 such month—

24 “(i) biomass comprises not less than
25 75 percent (on a Btu basis) of the average

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

3 “(ii) in the case of a facility prin-
4 cipally using coal to produce electricity,
5 biomass comprises not more than 25 per-
6 cent (on a Btu basis) of the average
7 monthly fuel input of the facility for the
8 taxable year which includes such month.”.

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

12 “(5) SPECIAL RULES.—

13 “(A) 75 PERCENT BIOMASS INPUT FACIL-
14 ITY.—In the case of a qualified facility de-
15 scribed in paragraph (3)(B)(i)—

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

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

23 “(B) 25 PERCENT BIOMASS INPUT FACIL-
24 ITY.—In the case of a qualified facility de-
25 scribed in paragraph (3)(B)(ii)—

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

5 “(ii) the amount of the credit deter-
6 mined under subsection (a) with respect to
7 any project for any taxable year shall be
8 adjusted by multiplying such amount (de-
9 termined without regard to this clause) by
10 0.59.”.

11 (c) CREDIT NOT TO APPLY TO ELECTRICITY SOLD
12 TO UTILITIES UNDER CERTAIN CONTRACTS.—Section
13 45(b) of such Code (relating to limitations and adjust-
14 ments) is amended by adding at the end the following:

15 “(4) CREDIT NOT TO APPLY TO ELECTRICITY
16 SOLD TO UTILITIES UNDER CERTAIN CONTRACTS.—

17 “(A) IN GENERAL.—The credit determined
18 under subsection (a) shall not apply to
19 electricity—

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

23 “(ii) sold to a utility pursuant to a
24 contract originally entered into before Jan-

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

3 “(B) EXCEPTION.—Subparagraph (A)
4 shall not apply if—

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

9 “(ii) such amendment provides that
10 the prices set forth in the contract which
11 exceed avoided cost prices determined at
12 the time of delivery shall apply only to an-
13 nual quantities of electricity (prorated for
14 partial years) which do not exceed the
15 greater of—

16 “(I) the average annual quantity
17 of electricity sold to the utility under
18 the contract during calendar years
19 1994, 1995, 1996, 1997, and 1998,
20 or

21 “(II) the estimate of the annual
22 electricity production set forth in the
23 contract, or, if there is no such esti-
24 mate, the greatest annual quantity of
25 electricity sold to the utility under the

1 contract in any of the calendar years
2 1996, 1997, or 1998, and

3 “(iii) such amendment provides that
4 energy and capacity in excess of the limita-
5 tion in clause (ii) may be—

6 “(I) sold to the utility only at
7 prices that do not exceed avoided cost
8 prices determined at the time of deliv-
9 ery, or

10 “(II) sold to a third party subject
11 to a mutually agreed upon advance
12 notice to the utility.

13 For purposes of this subparagraph, avoided cost
14 prices shall be determined as provided for in
15 section 292.304(d)(1) of title 18, Code of Fed-
16 eral Regulations, or any successor regulation.”.

17 (d) QUALIFIED FACILITIES INCLUDE ALL BIOMASS
18 FACILITIES.—

19 (1) IN GENERAL.—Subparagraph (B) of section
20 45(c)(1) of such Code (defining qualified energy re-
21 sources) is amended to read as follows—

22 “(B) biomass, and”.

23 (2) BIOMASS DEFINED.—Paragraph (2) of sec-
24 tion 45(c) of such Code (relating to definitions) is
25 amended to read as follows:

1 “(2) BIOMASS.—The term ‘biomass’ means—

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

6 “(B) any solid, nonhazardous, cellulosic
7 waste material which is segregated from other
8 waste materials and which is derived from—

9 “(i) any of the following forest-related
10 resources: mill residues, precommercial
11 thinnings, slash, and brush, but not includ-
12 ing old-growth timber or wood waste, or
13 byproducts therefrom, used to produce
14 electricity for a pulp and paper production
15 facility,

16 “(ii) poultry waste,

17 “(iii) urban sources, including waste
18 pallets, crates, and dunnage, manufac-
19 turing and construction wood wastes, and
20 landscape or right-of-way tree trimmings,
21 but not including unsegregated municipal
22 solid waste (garbage) or paper that is com-
23 monly recycled, or

24 “(iv) agriculture sources, including or-
25 chard tree crops, vineyard, grain, legumes,

1 sugar, and other crop by-products or resi-
2 dues.”.

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

6 **SEC. 802. CERTAIN AMOUNTS RECEIVED BY ELECTRIC EN-**
7 **ERGY, GAS, OR STEAM UTILITIES EXCLUDED**
8 **FROM GROSS INCOME AS CONTRIBUTIONS TO**
9 **CAPITAL.**

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

14 (1) in the heading, by striking, “WATER AND
15 SEWERAGE DISPOSAL” and inserting “CER-
16 TAIN”,

17 (2) in paragraph (1)—

18 (A) in the matter preceding paragraph (1),
19 by striking “water or” and inserting “electric
20 energy, gas (through a local distribution system
21 or transportation by pipeline), steam, water,
22 or” and

23 (B) in subparagraph (B), by striking
24 “water or” and inserting “electric energy, gas,
25 steam, water, or”,

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

4 (4) in paragraph (3)—

5 (A) in subparagraph (A), by inserting
6 “such term shall include amounts paid as cus-
7 tomer connection fees (including amounts paid
8 to connect the customer’s line to an electric
9 line, a gas main, a steam line, or a main water
10 or sewer line) and” after “except that”, and

11 (B) in subparagraph (C), by striking
12 “water or” and inserting “electric energy, gas,
13 steam, water, or”.

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

17 **SEC. 803. EXTENSION OF CREDIT FOR ELECTRICITY PRO-**
18 **DUCTION FROM STEEL COGENERATION.**

19 (a) EXTENSION OF CREDIT FOR COKE PRODUCTION
20 AND STEEL MANUFACTURING FACILITIES.—Section
21 45(c)(1) (defining qualified energy resources) is amended
22 by striking “and” at the end of subparagraph (B), by
23 striking the period at the end of subparagraph (C) and
24 inserting “, and”, and by adding at the end the following
25 new subparagraph:

1 “(D) steel cogeneration.”

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

4 “(5) STEEL COGENERATION.—The term ‘steel
5 cogeneration’ means the production of steam or
6 other form of thermal energy of at least 20 percent
7 of total production and the production of electricity
8 or mechanical energy (or both) of at least 20 percent
9 of total production (meaning production from all
10 waste sources in subparagraphs (A), (B), and (C)
11 from the entire facility that produces coke, iron ore,
12 iron, or steel), provided that the cogeneration meets
13 any regulatory energy-efficiency standards estab-
14 lished by the Secretary, and only to the extent that
15 such energy is produced from—

16 “(A) gases or heat generated during the
17 production of coke,

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

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

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

1 cility) is amended by adding at the end the fol-
2 lowing:

3 “(D) STEEL COGENERATION FACILITIES.—

4 In the case of a facility using steel cogeneration
5 to produce electricity, the term ‘qualified facil-
6 ity’ means any facility permitted to operate
7 under the environmental requirements of the
8 Clean Air Act Amendments of 1990 which is
9 owned by the taxpayer and originally placed in
10 service after December 31, 1999, and before
11 January 1, 2005. Such a facility may be treated
12 as originally placed in service when such facility
13 was last upgraded to increase efficiency or gen-
14 eration capability. However, no facility shall be
15 allowed a credit for more than 10 years of pro-
16 duction.”.

17 (d) CONFORMING AMENDMENTS.—

18 (1) The heading for section 45 of such Code is
19 amended by inserting “and waste energy” after “re-
20 newable”.

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

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

4 **SEC. 804. FULL EXPENSING OF HOME HEATING OIL STOR-**
5 **AGE FACILITIES.**

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

9 “(5) FULL EXPENSING OF HOME HEATING OIL
10 STORAGE FACILITIES.—Paragraphs (1) and (2) shall
11 not apply to section 179 property which is any stor-
12 age facility (not including a building or its structural
13 components) used in connection with the distribution
14 of home heating oil.”.

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

19 **SEC. 805. RESIDENTIAL SOLAR ENERGY TAX CREDIT.**

20 (a) IN GENERAL.—Subpart A of part IV of sub-
21 chapter A of chapter 1 of the Internal Revenue Code of
22 1986 (relating to nonrefundable personal credits) is
23 amended by inserting after section 25A the following new
24 section:

1 **“SEC. 25B. RESIDENTIAL SOLAR ENERGY PROPERTY.**

2 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
3 dividual, there shall be allowed as a credit against the tax
4 imposed by this chapter for the taxable year an amount
5 equal to the sum of—

6 “(1) 15 percent of the qualified photovoltaic
7 property expenditures made by the taxpayer during
8 such year, and

9 “(2) 15 percent of the qualified solar water
10 heating property expenditures made by the taxpayer
11 during the taxable year.

12 “(b) LIMITATIONS.—

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

16 “(2) TYPE OF PROPERTY.—No expenditure may
17 be taken into account under this section unless such
18 expenditure is made by the taxpayer for property in-
19 stalled on or in connection with a dwelling unit
20 which is located in the United States and which is
21 used as a residence.

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

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

1 formance and safety by the non-profit Solar
2 Rating Certification Corporation or a com-
3 parable entity endorsed by the government of
4 the State in which such property is installed,
5 and

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

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

10 “(1) QUALIFIED SOLAR WATER HEATING PROP-
11 PERTY EXPENDITURE.—The term ‘qualified solar
12 water heating property expenditure’ means an ex-
13 penditure for property that uses solar energy to heat
14 water for use in a dwelling unit with respect to
15 which a majority of the energy is derived from the
16 sun.

17 “(2) QUALIFIED PHOTOVOLTAIC PROPERTY EX-
18 PENDITURE.—The term ‘qualified photovoltaic prop-
19 erty expenditure’ means an expenditure for property
20 that uses solar energy to generate electricity for use
21 in a dwelling unit.

22 “(3) SOLAR PANELS.—No expenditure relating
23 to a solar panel or other property installed as a roof
24 (or portion thereof) shall fail to be treated as prop-
25 erty described in paragraph (1) or (2) solely because

1 it constitutes a structural component of the struc-
2 ture on which it is installed.

3 “(4) LABOR COSTS.—Expenditures for labor
4 costs properly allocable to the onsite preparation, as-
5 sembly, or original installation of the property de-
6 scribed in paragraph (1) or (2) and for piping or
7 wiring to interconnect such property to the dwelling
8 unit shall be taken into account for purposes of this
9 section.

10 “(5) SWIMMING POOLS, ETC., USED AS STOR-
11 AGE MEDIUM.—Expenditures which are properly al-
12 locable to a swimming pool, hot tub, or any other
13 energy storage medium which has a function other
14 than the function of such storage shall not be taken
15 into account for purposes of this section.

16 “(d) SPECIAL RULES.—For purposes of this
17 section—

18 “(1) DOLLAR AMOUNTS IN CASE OF JOINT OC-
19 CUPANCY.—In the case of any dwelling unit which is
20 jointly occupied and used during any calendar year
21 as a residence by 2 or more individuals the following
22 shall apply—

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

1 endar year by any of such individuals with re-
2 spect to such dwelling unit shall be determined
3 by treating all of such individuals as 1 taxpayer
4 whose taxable year is such calendar year.

5 “(B) There shall be allowable with respect
6 to such expenditures to each of such individ-
7 uals, a credit under subsection (a) for the tax-
8 able year in which such calendar year ends in
9 an amount which bears the same ratio to the
10 amount determined under subparagraph (A) as
11 the amount of such expenditures made by such
12 individual during such calendar year bears to
13 the aggregate of such expenditures made by all
14 of such individuals during such calendar year.

15 “(2) TENANT-STOCKHOLDER IN COOPERATIVE
16 HOUSING CORPORATION.—In the case of an indi-
17 vidual who is a tenant-stockholder (as defined in sec-
18 tion 216) in a cooperative housing corporation (as
19 defined in such section), such individual shall be
20 treated as having made his tenant-stockholder’s pro-
21 portionate share (as defined in section 216(b)(3)) of
22 any expenditures of such corporation.

23 “(3) CONDOMINIUMS.—

24 “(A) IN GENERAL.—In the case of an indi-
25 vidual who is a member of a condominium man-

1 agement association with respect to a condo-
2 minium which he owns, such individual shall be
3 treated as having made his proportionate share
4 of any expenditures of such association.

5 “(B) CONDOMINIUM MANAGEMENT ASSO-
6 CIATION.—For purposes of this paragraph, the
7 term ‘condominium management association’
8 means an organization which meets the require-
9 ments of paragraph (1) of section 528(c) (other
10 than subparagraph (E) thereof) with respect to
11 a condominium project substantially all of the
12 units of which are used as residences.

13 “(4) JOINT OWNERSHIP OF ITEMS OF SOLAR
14 ENERGY PROPERTY.—

15 “(A) IN GENERAL.—Any expenditure oth-
16 erwise qualifying as an expenditure described in
17 paragraph (1) or (2) of subsection (c) shall not
18 be treated as failing to so qualify merely be-
19 cause such expenditure was made with respect
20 to 2 or more dwelling units.

21 “(B) LIMITS APPLIED SEPARATELY.—In
22 the case of any expenditure described in sub-
23 paragraph (A), the amount of the credit allow-
24 able under subsection (a) shall (subject to para-
25 graph (1)) be computed separately with respect

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

3 “(5) ALLOCATION IN CERTAIN CASES.—If less
4 than 80 percent of the use of an item is for nonbusi-
5 ness residential purposes, only that portion of the
6 expenditures for such item which is properly allo-
7 cable to use for nonbusiness residential purposes
8 shall be taken into account. For purposes of this
9 paragraph, use for a swimming pool shall be treated
10 as use which is not for residential purposes.

11 “(6) WHEN EXPENDITURE MADE; AMOUNT OF
12 EXPENDITURE.—

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

17 “(B) EXPENDITURES PART OF BUILDING
18 CONSTRUCTION.—In the case of an expenditure
19 in connection with the construction or recon-
20 struction of a structure, such expenditure shall
21 be treated as made when the original use of the
22 constructed or reconstructed structure by the
23 taxpayer begins.

24 “(C) AMOUNT.—The amount of an ex-
25 penditure shall be the cost thereof.

1 “(e) BASIS ADJUSTMENTS.—For purposes of this
2 subtitle, if a credit is allowed under this section for any
3 expenditure with respect to any property, the increase in
4 the basis of such property which would (but for this sub-
5 section) result from such expenditure shall be reduced by
6 the amount of the credit so allowed.”.

7 (b) CONFORMING AMENDMENTS.—

8 (1) Subsection (a) of section 1016 of such Code
9 is amended by striking ‘and’ at the end of paragraph
10 (26), by striking the period at the end of paragraph
11 (27) and inserting “; and”, and by adding at the
12 end the following new paragraph:

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

16 (2) The table of sections for subpart A of part
17 IV of subchapter A of chapter 1 of such Code is
18 amended by inserting after the item relating to sec-
19 tion 25A the following new item:

 “Sec. 25B. Residential solar energy property.”

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

1 **SEC. 806. CREDIT FOR CERTAIN FUEL CELL AND COM-**
2 **BINED HEAT AND POWER SYSTEM PROPERTY**
3 **USED IN BUSINESS.**

4 (a) **ENERGY PERCENTAGE.**—Paragraph (2) of sec-
5 tion 48(a) of the Internal Revenue Code of 1986 (relating
6 to energy percentage for energy credit) is amended by re-
7 designating subparagraph (B) as subparagraph (D) and
8 by inserting after subparagraph (A) the following new sub-
9 paragraphs:

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

13 “(C) **COMBINED HEAT AND POWER SYS-**
14 **TEM PROPERTY.**—The energy percentage shall
15 be 8 percent in the case of combined heat and
16 power system property.”.

17 (b) **ENERGY PROPERTY DEFINED.**—Subsection (a)
18 of section 48 of such Code (relating to the energy credit)
19 is amended by adding at the end the following new para-
20 graphs:

21 “(6) **QUALIFIED FUEL CELL PROPERTY.**—For
22 purposes of this subsection—

23 “(A) **IN GENERAL.**—The term ‘energy
24 property’ shall include qualified fuel cell prop-
25 erty.

1 “(B) QUALIFIED FUEL CELL PROPERTY.—

2 The term ‘qualified fuel cell property’ means a
3 fuel cell that—

4 “(i) generates electricity and heat
5 using an electrochemical process,

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

8 “(iii) has a minimum generating ca-
9 pacity of 1 kilowatts.

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

12 “(A) IN GENERAL.—The term ‘energy
13 property’ shall include combined heat and
14 power system property.

15 “(B) COMBINED HEAT AND POWER SYS-
16 TEM PROPERTY.—The term ‘combined heat and
17 power system property’ means property com-
18 prising a system—

19 “(i) which uses the same energy
20 source for the simultaneous or sequential
21 generation of electrical power, mechanical
22 shaft power, or both, in combination with
23 the generation of steam or other forms of
24 useful thermal energy (including heating
25 and cooling applications),

1 “(ii) which has an electrical capacity
2 of more than 50 kilowatts or a mechanical
3 energy capacity of more than 67 horse-
4 power or an equivalent combination of elec-
5 trical and mechanical energy capacities,

6 “(iii) which produces—

7 “(I) at least 20 percent of its
8 total useful energy in the form of
9 thermal energy, and

10 “(II) at least 20 percent of its
11 total useful energy in the form of elec-
12 trical or mechanical power (or a com-
13 bination thereof), and

14 “(iv) the energy efficiency percentage
15 of which exceeds 60 percent (70 percent in
16 the case of a system with an electrical ca-
17 pacity in excess of 50 megawatts or a me-
18 chanical energy capacity in excess of
19 67,000 horsepower, or an equivalent com-
20 bination of electrical and mechanical en-
21 ergy capacities).

22 “(C) SPECIAL RULES.—

23 “(i) ENERGY EFFICIENCY PERCENT-
24 AGE.—For purposes of subparagraph

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

3 “(I) the numerator of which is
4 the total useful electrical, thermal,
5 and mechanical power produced by
6 the system at normal operating rates,
7 and

8 “(II) the denominator of which is
9 the lower heating value of the primary
10 fuel source for the system.

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

15 “(iii) INPUT AND OUTPUT PROPERTY
16 NOT INCLUDED.—The term ‘combined heat
17 and power system property’ does not in-
18 clude property used to transport the en-
19 ergy source to the facility or to distribute
20 energy produced by the facility.

21 “(iv) PUBLIC UTILITY PROPERTY.—

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

1 erty (as defined in section 46(f)(5) as
2 in effect on the day before the date of
3 the enactment of the Revenue Rec-
4 onciliation Act of 1990), the taxpayer
5 may only claim the credit under this
6 subsection if, with respect to such
7 property, the taxpayer uses a normal-
8 ization method of accounting.

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

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

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

24 “(9) NO CARRYBACK OF ENERGY CREDIT BE-
25 FORE EFFECTIVE DATE.—No portion of the unused

1 business credit for any taxable year which is attrib-
 2 utable to the portion of the energy credit described
 3 in section 48(a)(6) or (7) may be carried back to a
 4 taxable year ending before the date of the enactment
 5 of this paragraph.”.

6 (d) DEPRECIATION.—

7 (1) Subparagraph (C) of section 168(e)(3) of
 8 such Code is amended by striking the period at the
 9 end of clause (ii) and inserting “, and”, and by in-
 10 sserting after clause (ii) the following new clause:

11 “(iii) any energy property (as defined
 12 in paragraphs (6) or (7) of section 48(a))
 13 for which a credit is allowed under section
 14 48 and which, but for this clause, would
 15 have a recovery period of less than 15
 16 years.”.

17 (2) The table contained in subparagraph (B) of
 18 section 168(g)(3) of such Code is amended by insert-
 19 ing after the item relating to subparagraph (C)(i)
 20 the following:

“(C)(iii) 10”.

21 (d) EFFECTIVE DATE.—The amendments made by
 22 this section shall apply to periods after December 31,
 23 2000, under rules similar to the rules of section 48(m)
 24 of the Internal Revenue Code of 1986 (as in effect on the

1 day before the date of the enactment of the Revenue Rec-
2 onciliation Act of 1990).

3 **TITLE IX—ARCTIC COASTAL**
4 **PLAIN DOMESTIC ENERGY SE-**
5 **CURITY ACT OF 2000**

6 **SEC. 901. SHORT TITLE**

7 This title may be cited as the “Arctic Coastal Plain
8 Domestic Energy Security Act of 2000”.

9 **SEC. 902. DEFINITIONS.**

10 When used in this title the term—

11 (1) “Coastal Plain” means that area identified
12 as such in the map entitled “Arctic National Wildlife
13 Refuge”, dated August 1980, as referenced in sec-
14 tion 1002(b) of the Alaska National Interest Lands
15 Conservation Act of 1980 (16 U.S.C. 3142(b)(1))
16 comprising approximately 1,549,000 acres; and

17 (2) “Secretary”, except as otherwise provided,
18 means the Secretary of the Interior or the Sec-
19 retary’s designee.

20 **SEC. 903. LEASING PROGRAM FOR LANDS WITHIN THE**
21 **COASTAL PLAIN.**

22 (a) **AUTHORIZATION.**—The Congress hereby author-
23 izes and directs the Secretary, acting through the Bureau
24 of Land Management in consultation with the Fish and
25 Wildlife Service and other appropriate Federal offices and

1 agencies, to take such actions as are necessary to establish
2 and implement a competitive oil and gas leasing program
3 that will result in an environmentally sound program for
4 the exploration, development, and production of the oil
5 and gas resources of the Coastal Plain and to administer
6 the provisions of this title through regulations, lease
7 terms, conditions, restrictions, prohibitions, stipulations,
8 and other provisions that ensure the oil and gas explo-
9 ration, development, and production activities on the
10 Coastal Plain will result in no significant adverse effect
11 on fish and wildlife, their habitat, subsistence resources,
12 and the environment, and shall require the application of
13 the best commercially available technology for oil and gas
14 exploration, development, and production, on all new ex-
15 ploration, development, and production operations, and
16 whenever practicable, on existing operations, and in a
17 manner to ensure the receipt of fair market value by the
18 public for the mineral resources to be leased.

19 (b) REPEAL.—The prohibitions and limitations con-
20 tained in section 1003 of the Alaska National Interest
21 Lands Conservation Act of 1980 (16 U.S.C. 3143) are
22 hereby repealed.

23 (c) COMPATIBILITY.—Congress hereby determines
24 that the oil and gas leasing program and activities author-
25 ized by this section in the Coastal Plain are compatible

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

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

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

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

24 (g) LIMITATION ON CLOSED AREAS.—The Sec-
25 retary’s sole authority to close lands within the Coastal

1 Plain to oil and gas leasing and to exploration, develop-
2 ment, and production is that set forth in this title.

3 (h) CONVEYANCE.—In order to maximize Federal
4 revenues by removing clouds on title of lands and clari-
5 fying land ownership patterns within the Coastal Plain,
6 the Secretary, notwithstanding the provisions of section
7 1302(h)(2) of the Alaska National Interest Lands Con-
8 servation Act (16 U.S.C. 3192(h)(2)), is authorized and
9 directed to convey (1) to the Kaktovik Inupiat Corporation
10 the surface estate of the lands described in paragraph 2
11 of the Public Land Order 6959, to the extent necessary
12 to fulfill the Corporation's entitlement under section 12
13 of the Alaska Native Claims Settlement Act (43 U.S.C.
14 1611), and (2) to the Arctic Slope Regional Corporation
15 the subsurface estate beneath such surface estate pursu-
16 ant to the August 9, 1983, agreement between the Arctic
17 Slope Regional Corporation and the United States of
18 America.

19 **SEC. 904. RULES AND REGULATIONS.**

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

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

8 (b) REVISION OF REGULATIONS.—The Secretary
9 shall periodically review and, if appropriate, revise the
10 rules and regulations issued under subsection (a) of this
11 section to reflect any significant biological, environmental,
12 or engineering data which come to the Secretary’s atten-
13 tion.

14 **SEC. 905. ADEQUACY OF THE DEPARTMENT OF THE INTE-**
15 **RIOR’S LEGISLATIVE ENVIRONMENTAL IM-**
16 **PACT STATEMENT.**

17 The “Final Legislative Environmental Impact State-
18 ment” (April 1987) on the Coastal Plain prepared pursu-
19 ant to section 1002 of the Alaska National Interest Lands
20 Conservation Act of 1980 (16 U.S.C. 3142) and section
21 102(2)(C) of the National Environmental Policy Act of
22 1969 (42 U.S.C. 4332(2)(C)) is hereby found by the Con-
23 gress to be adequate to satisfy the legal and procedural
24 requirements of the National Environmental Policy Act of
25 1969 with respect to actions authorized to be taken by

1 the Secretary to develop and promulgate the regulations
2 for the establishment of the leasing program authorized
3 by this title, to conduct the first lease sale and any subse-
4 quent lease sale authorized by this title, and to grant
5 rights-of-way and easements to carry out the purposes of
6 this title.

7 **SEC. 906. LEASE SALES.**

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

12 (b) PROCEDURES.—The Secretary shall, by regula-
13 tion, establish procedures for—

14 (1) receipt and consideration of sealed nomina-
15 tions for any area in the Coastal Plain for inclusion
16 in, or exclusion (as provided in subsection (c)) from,
17 a lease sale; and

18 (2) public notice of and comment on designa-
19 tion of areas to be included in, or excluded from, a
20 lease sale.

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

1 Secretary shall offer for lease those acres receiving the
2 greatest number of nominations, but no less than two hun-
3 dred thousand acres and no more than three hundred
4 thousand acres shall be offered. If the total acreage nomi-
5 nated is less than two hundred thousand acres, the Sec-
6 retary shall include in such sale any other acreage which
7 he believes has the highest resource potential, but in no
8 event shall more than three hundred thousand acres of
9 the Coastal Plain be offered in such sale. With respect
10 to subsequent lease sales, the Secretary shall offer for
11 lease no less than two hundred thousand acres of the
12 Coastal Plain. The initial lease sale shall be held within
13 twenty months of the date of enactment of this title. The
14 second lease sale shall be held no later than twenty-four
15 months after the initial sale, with additional sales con-
16 ducted no later than twelve months thereafter so long as
17 sufficient interest in development exists to warrant, in the
18 Secretary's judgment, the conduct of such sales.

19 **SEC. 907. GRANT OF LEASES BY THE SECRETARY.**

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

1 12½ per centum in amount or value of the production
2 removed or sold from the lease.

3 (b) ANTITRUST REVIEW.—Following each notice of
4 a proposed lease sale and before the acceptance of bids
5 and the issuance of leases based on such bids, the Sec-
6 retary shall allow the Attorney General, in consultation
7 with the Federal Trade Commission, thirty days to per-
8 form an antitrust review of the results of such lease sale
9 on the likely effects the issuance of such leases would have
10 on competition and the Attorney General shall advise the
11 Secretary with respect to such review, including any rec-
12 ommendation for the nonacceptance of any bid or the im-
13 position of terms or conditions on any lease, as may be
14 appropriate to prevent any situation inconsistent with the
15 antitrust laws.

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

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

1 ability, or to create defenses to actions, under any anti-
2 trust law.

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

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

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

11 **SEC. 908. LEASE TERMS AND CONDITIONS.**

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

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

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

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

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

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

13 (6) require posting of bond as required by sec-
14 tion 909 of this title;

15 (7) provide that the Secretary may close, on a
16 seasonal basis, portions of the Coastal Plain to ex-
17 ploratory drilling activities as necessary to protect
18 caribou calving areas and other species of fish and
19 wildlife;

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

23 (9) provide that the Secretary may direct or as-
24 sent to the suspension of operations and production
25 under any lease granted under the terms of this title

1 in the interest of conservation of the resource or
2 where there is no available system to transport the
3 resource. If such a suspension is directed or as-
4 sented to by the Secretary, any payment of rental
5 prescribed by such lease shall be suspended during
6 such period of suspension of operations and produc-
7 tion, and the term of the lease shall be extended by
8 adding any such suspension period thereto;

9 (10) provide that whenever the owner of a non-
10 producing lease fails to comply with any of the pro-
11 visions of this Act, or of any applicable provision of
12 Federal or State environmental law, or of the lease,
13 or of any regulation issued under this title, such
14 lease may be canceled by the Secretary if such de-
15 fault continues for more than thirty days after mail-
16 ing of notice by registered letter to the lease owner
17 at the lease owner's post office address of record;

18 (11) provide that whenever the owner of any
19 producing lease fails to comply with any of the pro-
20 visions of this title, or of any applicable provision of
21 Federal or State environmental law, or of the lease,
22 or of any regulation issued under this title, such
23 lease may be forfeited and canceled by any appro-
24 priate proceeding brought by the Secretary in any

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

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

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

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

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

3 (15) require that the holder of a lease or leases
4 on lands within the Coastal Plain shall be fully re-
5 sponsible and liable for the reclamation of lands
6 within the Coastal Plain and any other Federal
7 lands adversely affected in connection with explo-
8 ration, development, production or transportation
9 activities on a lease within the Coastal Plain by the
10 holder of a lease or as a result of activities con-
11 ducted on the lease by any of the leaseholder's sub-
12 contractors or agents;

13 (16) provide that the holder of a lease may not
14 delegate or convey, by contract or otherwise, the ree-
15 lamation responsibility and liability to another party
16 without the express written approval of the Sec-
17 retary;

18 (17) provide that the standard of reclamation
19 for lands required to be reclaimed under this title
20 be, as nearly as practicable, a condition capable of
21 supporting the uses which the lands were capable of
22 supporting prior to any exploration, development, or
23 production activities, or upon application by the les-
24 see, to a higher or better use as approved by the
25 Secretary;

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

5 (19) provide that the holder of a lease, its
6 agents, and contractors use best efforts to provide a
7 fair share, as determined by the level of obligation
8 previously agreed to in the 1974 agreement imple-
9 menting section 29 of the Federal Agreement and
10 Grant of Right of Way for the Operation of the
11 Trans-Alaska Pipeline, of employment and con-
12 tracting for Alaska Natives and Alaska Native Cor-
13 porations from throughout the State;

14 (20) require project agreements to the extent
15 feasible that will ensure productivity and consistency
16 recognizing a national interest in both labor stability
17 and the ability of construction labor and manage-
18 ment to meet the particular needs and conditions of
19 projects to be developed under leases issued pursu-
20 ant to this Act; and

21 (21) contain such other provisions as the Sec-
22 retary determines necessary to ensure compliance
23 with the provisions of this title and the regulations
24 issued under this title.

1 **SEC. 909. BONDING REQUIREMENTS TO ENSURE FINANCIAL**
2 **RESPONSIBILITY OF LESSEE AND AVOID FED-**
3 **ERAL LIABILITY.**

4 (a) REQUIREMENT.—The Secretary shall, by rule or
5 regulation, establish such standards as may be necessary
6 to ensure that an adequate bond, surety, or other financial
7 arrangement will be established prior to the commence-
8 ment of surface disturbing activities on any lease, to en-
9 sure the complete and timely reclamation of the lease
10 tract, and the restoration of any lands or surface waters
11 adversely affected by lease operations after the abandon-
12 ment or cessation of oil and gas operations on the lease.
13 Such bond, surety, or financial arrangement is in addition
14 to, and not in lieu, of any bond, surety, or financial ar-
15 rangement required by any other regulatory authority or
16 required by any other provision of law.

17 (b) AMOUNT.—The bond, surety, or financial ar-
18 rangement shall be in an amount—

19 (1) to be determined by the Secretary to pro-
20 vide for reclamation of the lease site in accordance
21 with an approved or revised exploration or develop-
22 ment and production plan; plus

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

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

3 (c) ADJUSTMENT.—In the event that an approved ex-
4 ploration or development and production plan is revised,
5 the Secretary may adjust the amount of the bond, surety,
6 or other financial arrangement to conform to such modi-
7 fied plan.

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

14 (e) TERMINATION.—Within sixty days after deter-
15 mining that there has been compliance with the terms and
16 conditions of the lease and all applicable laws, the Sec-
17 retary, after consultation with affected Federal and State
18 agencies, shall notify the lessee that the period of liability
19 under the bond, surety, or other financial arrangement has
20 been terminated.

21 **SEC. 910. OIL AND GAS INFORMATION.**

22 (a) IN GENERAL.—(1) Any lessee or permittee con-
23 ducting any exploration for, or development or production
24 of, oil or gas pursuant to this title shall provide the Sec-
25 retary access to all data and information from any lease

1 granted pursuant to this title (including processed and
2 analyzed) obtained from such activity and shall provide
3 copies of such data and information as the Secretary may
4 request. Such data and information shall be provided in
5 accordance with regulations which the Secretary shall pre-
6 scribe.

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

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

14 (A) by a lessee or permittee, in the form and
15 manner of processing which is utilized by such lessee
16 or permittee in the normal conduct of business, the
17 Secretary shall pay the reasonable cost of reproduc-
18 ing such data and information; or

19 (B) by a lessee or permittee, in such other form
20 and manner of processing as the Secretary may re-
21 quest, the Secretary shall pay the reasonable cost of
22 processing and reproducing such data and informa-
23 tion.

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

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

5 **SEC. 911. EXPEDITED JUDICIAL REVIEW.**

6 (a) Any complaint seeking judicial review of any pro-
7 vision in this title, or any other action of the Secretary
8 under this title may be filed in any appropriate district
9 court of the United States, and such complaint must be
10 filed within ninety days from the date of the action being
11 challenged, or after such date if such complaint is based
12 solely on grounds arising after such ninetieth day, in
13 which case the complaint must be filed within ninety days
14 after the complainant knew or reasonably should have
15 known of the grounds for the complaint: *Provided*, That
16 any complaint seeking judicial review of an action of the
17 Secretary in promulgating any regulation under this title
18 may be filed only in the United States Court of Appeals
19 for the District of Columbia.

20 (b) Actions of the Secretary with respect to which re-
21 view could have been obtained under this section shall not
22 be subject to judicial review in any civil or criminal pro-
23 ceeding for enforcement.

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

2 Notwithstanding title XI of the Alaska National In-
3 terest Lands Conservation Act of 1980 (16 U.S.C. 3161
4 et seq.), the Secretary is authorized and directed to grant,
5 in accordance with the provisions of section 28 (c) through
6 (t) and (v) through (y) of the Mineral Leasing Act of 1920
7 (30 U.S.C. 185), rights-of-way and easements across the
8 Coastal Plain for the transportation of oil and gas under
9 such terms and conditions as may be necessary so as not
10 to result in a significant adverse effect on the fish and
11 wildlife, subsistence resources, their habitat, and the envi-
12 ronment of the Coastal Plain. Such terms and conditions
13 shall include requirements that facilities be sited or modi-
14 fied so as to avoid unnecessary duplication of roads and
15 pipelines. The regulations issued as required by section
16 904 of this title shall include provisions granting rights-
17 of-way and easements across the Coastal Plain.

18 **SEC. 913. ENFORCEMENT OF SAFETY AND ENVIRON-**
19 **MENTAL REGULATIONS TO ENSURE COMPLI-**
20 **ANCE WITH TERMS AND CONDITIONS OF**
21 **LEASE.**

22 (a) **RESPONSIBILITY OF THE SECRETARY.**—The Sec-
23 retary shall diligently enforce all regulations, lease terms,
24 conditions, restrictions, prohibitions, and stipulations pro-
25 mulgated pursuant to this title.

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

4 (1) maintain all operations within such lease
5 area in compliance with regulations intended to pro-
6 tect persons and property on, and fish and wildlife,
7 their habitat, subsistence resources, and the environ-
8 ment of, the Coastal Plain; and

9 (2) allow prompt access at the site of any oper-
10 ations subject to regulation under this title to any
11 appropriate Federal or State inspector, and to pro-
12 vide such documents and records which are pertinent
13 to occupational or public health, safety, or environ-
14 mental protection, as may be requested.

15 (c) ON-SITE INSPECTION.—The Secretary shall pro-
16 mulgate regulations to provide for—

17 (1) scheduled onsite inspection by the Sec-
18 retary, at least twice a year, of facility on the Coast-
19 al Plain which is subject to any environmental or
20 safety regulation promulgated pursuant to this title
21 or conditions contained in any lease issue pursuant
22 to this title to assure compliance with such environ-
23 mental or safety regulations or conditions; and

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

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

3 **SEC. 914. NEW REVENUES.**

4 Notwithstanding any other provision of law, all reve-
5 nues received by the Federal Government from competitive
6 bids, sales, bonuses, royalties, rents, fees, or interest de-
7 rived from the leasing of oil and gas within the Coastal
8 Plain shall be deposited into the Treasury of the United
9 States, solely as provided in this section. The Secretary
10 of the Treasury shall pay to the State of Alaska the same
11 percentage of such revenues as is set forth under the head-
12 ing “EXPLORATION OF NATIONAL PETROLEUM
13 RESERVE IN ALASKA” in Public Law 96–514 (94
14 Stat. 2957, 2964) semiannually to the State of Alaska,
15 on March 30 and September 30 of each year and shall
16 deposit the balance of all such revenues as miscellaneous
17 receipts in the Treasury.

18 **TITLE X—CLEAN, RELIABLE,**
19 **AND AFFORDABLE ELECTRICITY**

20 **SEC. 1001. FINDINGS AND PURPOSES.**

21 (a) FINDINGS.—Congress finds that—

22 (1) reliable, affordable, increasingly clean elec-
23 tricity will continue to power the growing the United
24 States economy. Increasing use of
25 electrotechnologies, the desire for continuous envi-

1 ronmental improvement, a more competitive elec-
2 tricity market, and concerns about rising energy
3 prices add importance to the need for reliable, af-
4 fordable, increasingly clean electricity,

5 (2) coal, which currently accounts for more
6 than ½ of all electricity generated in the United
7 States, is the Nation's most abundant fossil energy
8 resource; it comprises more than 85 percent of all
9 fossil resources in the United States, representing a
10 250-year supply at current usage rates,

11 (3) investments in power plant emissions con-
12 trol technology over the past 30 years have reduced
13 health-based pollutants from coal-based generating
14 plants by 32 percent, even as coal used for elec-
15 tricity generation has nearly tripled,

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

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

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

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

6 (b) PURPOSE.—The purpose of this title is to amend
7 the Internal Revenue Code of 1986 and authorize Depart-
8 ment of Energy programs to—

9 (1) develop and implement an accelerated re-
10 search and development program for advanced clean
11 coal technologies for use in existing and new coal-
12 based electricity generating facilities,

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

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

19 (4) allow coal, the most abundant domestic en-
20 ergy resource, to help meet the Nation's growing
21 need for clean, reliable, and affordable electricity.

1 **Subtitle A—Accelerated Tech-**
2 **nology Research and Develop-**
3 **ment Program for Advanced**
4 **Clean Coal Technology for New**
5 **and Existing Coal-Based Elec-**
6 **tric Generating Facilities**

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

9 **SEC. 1011. PURPOSES.**

10 The purposes of this subtitle are to direct the
11 Secretary—

12 (1) to establish a coal-based technology develop-
13 ment program designed to achieve cost and perform-
14 ance goals;

15 (2) to undertake a study to identify tech-
16 nologies that may be capable of achieving the cost
17 and performance goals and for other purposes; and

18 (3) to implement a research, development, and
19 demonstration program designed to develop and
20 demonstrate in commercial-scale applications ad-
21 vanced clean coal technologies for existing coal-fired
22 power generation units.

23 **SEC. 1012. COST AND PERFORMANCE GOALS.**

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

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

6 (b) In establishing these technology cost and perform-
7 ance goals, the Secretary shall consult with representatives
8 from the United States coal industry, electric utility indus-
9 try, railroads and other transportation industries, manu-
10 facturers of equipment utilizing advanced coal tech-
11 nologies, organizations representing workers, and mem-
12 bers of organizations formed to further the goals of envi-
13 ronmental protection or to promote the development and
14 use of advanced coal technologies.

15 (c) For purposes of this section, the term “cost and
16 performance goals” means the result of an assessment un-
17 dertaken by the Secretary, in consultation with those enti-
18 ties identified in subsection (b), that identifies costs and
19 associated performance of technologies that would permit
20 the continued cost-competitive use of coal for electricity
21 generation, as chemical feedstocks and as transportation
22 fuel in the years 2007, 2015, and beyond 2020.

23 **SEC. 1013. STUDY.**

24 (a) Not later than 12 months after the date of enact-
25 ment of this Act, the Secretary, in cooperation with the

1 Secretary of the Interior and the Administrator of the En-
2 vironmental Protection Agency, shall undertake a coopera-
3 tive study designed to—

4 (1) identify technologies capable of achieving
5 the cost and performance goals established in section
6 1012;

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

11 (3) set forth a set of recommendations by which
12 the Department of Energy could undertake, in co-
13 operation with industry, technology development pro-
14 grams to develop and demonstrate such technologies.

15 (b) In carrying out this section, the Secretary shall
16 incorporate the advice of representatives with applicable
17 expertise from the United States coal industry, electric
18 utility industry, railroads and other coal transportation in-
19 dustries, manufacturers of equipment utilizing advanced
20 coal technologies, organizations representing workers, and
21 members of organizations formed to further the goals of
22 environmental protection or to promote the development
23 and use of advanced coal technologies.

1 **SEC. 1014. TECHNOLOGY RESEARCH AND DEVELOPMENT**
2 **PROGRAM.**

3 (a) The Secretary shall, pursuant to the authority
4 and directions of this title and the Federal Non-Nuclear
5 Energy Research and Development Act of 1974 (Public
6 Law 93–577), the Energy Reorganization Act of 1974
7 (Public Law 93–438), and the Energy Policy Act of 1992
8 (Public Law 102–486), undertake and conduct programs
9 for research on and development, demonstration, and com-
10 mercial application of coal-based technologies. Such re-
11 search, development, demonstration, and commercial ap-
12 plication programs identified in section 1013 shall be de-
13 signed to achieve the cost and performance goals estab-
14 lished in sections 1012.

15 (b) Not later than 18 months after the date of enact-
16 ment of this Act, the Secretary shall transmit to the Presi-
17 dent and the Congress a report containing—

18 (1) a description of the programs in place or to
19 be undertaken within the Department of Energy to
20 support technologies that are designed to achieve the
21 cost and performance goals established in section
22 1012, and

23 (2) recommendations for additional authorities
24 required in order to achieve the cost and perform-
25 ance goals.

1 **SEC. 1015. AUTHORIZATION OF APPROPRIATIONS.**

2 There are authorized to be appropriated to the Sec-
3 retary for carrying out this subtitle \$100,000,000 for each
4 of fiscal years 2002 through 2012, to remain available
5 until expended. This authorization is supplemental to ex-
6 isting authorities and shall not be construed as a cap on
7 Department of Energy Fossil Energy Research and Devel-
8 opment and Clean Coal Technology appropriations.

9 **PART 2—EXISTING PLANT TECHNOLOGY**
10 **APPLICATIONS**

11 **SEC. 1021. EXISTING PLANT TECHNOLOGY APPLICATIONS.**

12 (a) The Secretary shall conduct a program of re-
13 search, development, demonstration, and commercial ap-
14 plication for the purpose of developing economically and
15 environmentally acceptable advanced technologies for utili-
16 zation at or within current electricity generation facilities
17 utilizing coal as the primary feedstock.

18 (b) Within 120 days after the date of enactment of
19 this Act, the Secretary shall transmit to Congress a de-
20 tailed plan for conducting the research, development, dem-
21 onstration, and commercial application programs for the
22 purpose of developing economically and environmentally
23 acceptable advanced technologies for utilization at or with-
24 in existing electricity generation facilities utilizing coal as
25 the primary feedstock. Such plan shall include a descrip-
26 tion of—

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

3 (2) the technical milestones to be achieved with
4 respect to each of the advanced coal-based tech-
5 nologies included in the plan;

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

12 (A) an overall design efficiency improve-
13 ment of not less than 5 percentage points on a
14 unit having design main steam throttle condi-
15 tions of at least 1,800 psi/1,000 F/1,000 F,

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

18 (i) 98 percent removal, annual aver-
19 age, of sulfur dioxide at a capital and oper-
20 ating cost at least 25 percent below com-
21 mercially available technology,

22 (ii) 85 percent removal, annual aver-
23 age, of nitrogen oxide without the use of
24 ammonia or urea, or

1 (iii) 75 percent, annual average, emis-
2 sion reduction of total mercury excluding
3 any reductions due to use of activated car-
4 bon or a system for selective catalytic re-
5 duction; or

6 (C) 100 percent recycle/utilization options
7 of coal combustion wastes excluding gypsum
8 production for wallboard and coal fly ash and
9 bottom ash use in Portland cement and con-
10 crete applications.

11 **SEC. 1022. DEMONSTRATION AND COMMERCIAL APPLICA-**
12 **TION PROGRAM.**

13 (a) Not later than 180 days after the date of sub-
14 mittal of the program described in section 1021 of this
15 Act, the Secretary shall cause to have solicited proposals
16 for demonstrations designed to achieve the technical mile-
17 stones set forth in section 1021(b)(1)(C).

18 (b) In selecting a project or projects for financial as-
19 sistance under this subtitle, the Secretary shall utilize the
20 criteria for a qualifying project which shall provide a min-
21 imum of 50 percent cost sharing with the Federal Govern-
22 ment for the installation and operation of the clean coal
23 technology. In making project selections that meet the cri-
24 teria and purposes of the solicitation, the Department of
25 Energy shall select those projects which—

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

3 (2) improves the competitiveness of coal among
4 various forms of energy in order to maintain a diver-
5 sity of fuel choices in the United States to meet elec-
6 tricity generation requirements; and

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

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

16 **SEC. 1023. AUTHORIZATION OF APPROPRIATIONS.**

17 The Secretary, as of the date of enactment of this
18 Act, is authorized to utilize any funds appropriated, but
19 not currently committed, or that may become uncommit-
20 ted to any project selected under the existing “Clean Coal
21 Technology” program to administer and conduct this sub-
22 title.

1 **Subtitle B—Credit for Emission Re-**
2 **ductions and Efficiency Im-**
3 **provements in Existing Coal-**
4 **Based Electricity Generation**
5 **Facilities**

6 **SEC. 1031. CREDIT FOR INVESTMENT IN QUALIFYING**
7 **CLEAN COAL TECHNOLOGY.**

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

14 “(4) the qualifying clean coal technology unit
15 credit.”.

16 (b) AMOUNT OF QUALIFYING CLEAN COAL TECH-
17 NOLOGY UNIT CREDIT.—Subpart E of part IV of sub-
18 chapter A of chapter 1 of the Internal Revenue Code of
19 1986 (relating to rules for computing investment credit)
20 is amended by inserting after section 48 the following:

21 **“SEC. 48A. QUALIFYING CLEAN COAL TECHNOLOGY UNIT**
22 **CREDIT.**

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

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

3 “(b) QUALIFYING SYSTEM OF CONTINUOUS EMIS-
4 SION CONTROL.—

5 “(1) IN GENERAL.—For purposes of subsection
6 (a) the term ‘qualifying system of continuous emis-
7 sion control’ means a system of the taxpayer—

8 “(A) which is retrofitted to an existing
9 coal-based electricity generating unit, the retro-
10 fitting of which is completed by the taxpayer
11 (but only with respect to that portion of the
12 basis which is properly attributable to such ret-
13 rofitting),

14 “(B) which removes 1 or more of the pol-
15 lutants regulated under title I of the Clean Air
16 Act (42 U.S.C. 1857 et seq.),

17 “(C) that is depreciable under section 167,

18 “(D) that has a useful life of not less than
19 4 years, and

20 “(E) that is located in the United States.

21 “(2) SPECIAL RULE FOR SALE-LEASEBACKS.—

22 For purposes of subparagraph (A) of paragraph (1),
23 in the case of a unit that—

24 “(A) is originally placed in service by a
25 person, and

1 “(B) is sold and leased back by such per-
2 son, or is leased to such person, within 3
3 months after the date such unit was originally
4 placed in service, for a period of not less than
5 12 years,

6 such unit shall be treated as originally placed in
7 service not earlier than the date on which such prop-
8 erty is used under the leaseback (or lease) referred
9 to in subparagraph (B). The preceding sentence
10 shall not apply to any property if the lessee and les-
11 sor of such property makes an election under this
12 sentence. Such an election, once made, may be re-
13 voked only with the consent of the Secretary.

14 “(c) EXISTING COAL-BASED ELECTRICITY GENER-
15 ATING UNIT.—For purposes of subsection (a), the term
16 ‘existing coal-based electricity generating unit’ means,
17 with respect to any taxable year, a steam generator-tur-
18 bine unit that utilizes coal to produce 50 percent or more
19 of its output as electricity and was in operation before the
20 effective date of this section.

21 “(d) LIMIT ON QUALIFYING CLEAN COAL TECH-
22 NOLOGY UNIT CREDIT.—For purposes of subsection (a),
23 the credit shall be applicable to no more than the first
24 \$100,000,000 of qualifying investment in a qualifying sys-

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

3 “(e) QUALIFIED INVESTMENT.—For purposes of sub-
4 section (a), the term ‘qualified investment’ means, with
5 respect to any taxable year, the basis of a qualifying sys-
6 tem of continuous emission control placed in service by
7 the taxpayer during such taxable year.

8 “(f) QUALIFIED PROGRESS EXPENDITURES.—

9 “(1) INCREASE IN QUALIFIED INVESTMENT.—

10 In the case of a taxpayer who has made an election
11 under paragraph (5), the amount of the qualified in-
12 vestment of such taxpayer for the taxable year (de-
13 termined under subsection (c) without regard to this
14 section) shall be increased by an amount equal to
15 the aggregate of each qualified progress expenditure
16 for the taxable year with respect to progress expend-
17 iture property.

18 “(2) PROGRESS EXPENDITURE PROPERTY DE-
19 FINED.—For purposes of this subsection, the term
20 ‘progress expenditure property’ means any property
21 being constructed by or for the taxpayer and which
22 it is reasonable to believe will qualify as a qualifying
23 system of continuous emission control which is being
24 constructed by or for the taxpayer when it is placed
25 in service.

1 “(3) QUALIFIED PROGRESS EXPENDITURES DE-
2 FINED.—For purposes of this subsection—

3 “(A) SELF-CONSTRUCTED PROPERTY.—In
4 the case of any self-constructed property, the
5 term ‘qualified progress expenditures’ means
6 the amount which, for purposes of this subpart,
7 is properly chargeable (during such taxable
8 year) to capital account with respect to such
9 property.

10 “(B) NON-SELF-CONSTRUCTED PROP-
11 ERTY.—In the case of non-self-constructed
12 property, the term ‘qualified progress expendi-
13 tures’ means the amount paid during the tax-
14 able year to another person for the construction
15 of such property.

16 “(4) OTHER DEFINITIONS.—For purposes of
17 this subsection—

18 “(A) SELF-CONSTRUCTED PROPERTY.—
19 The term ‘self-constructed property’ means
20 property for which it is reasonable to believe
21 that more than half of the construction expendi-
22 tures will be made directly by the taxpayer.

23 “(B) NON-SELF-CONSTRUCTED PROP-
24 ERTY.—The term ‘non-self-constructed prop-

1 erty’ means property which is not self-con-
2 structed property.

3 “(C) CONSTRUCTION, ETC.—The term
4 ‘construction’ includes reconstruction and erec-
5 tion, and the term ‘constructed’ includes recon-
6 structed and erected.

7 “(D) ONLY CONSTRUCTION OF QUALI-
8 FYING SYSTEM OF CONTINUOUS EMISSION CON-
9 TROL TO BE TAKEN INTO ACCOUNT.—Construc-
10 tion shall be taken into account only if, for pur-
11 poses of this subpart, expenditures therefor are
12 properly chargeable to capital account with re-
13 spect to the property.

14 “(5) ELECTION.—An election under this sub-
15 section may be made at such time and in such man-
16 ner as the Secretary may by regulations prescribe.
17 Such an election shall apply to the taxable year for
18 which made and to all subsequent taxable years.
19 Such an election, once made, may not be revoked ex-
20 cept with the consent of the Secretary.

21 “(g) COORDINATION WITH OTHER CREDITS.—This
22 section shall not apply to any property with respect to
23 which the rehabilitation credit under section 47 or the en-
24 ergy credit under section 48 is allowed unless the taxpayer

1 elects to waive the application of such credit to such prop-
2 erty.

3 “(h) TERMINATION.—This section shall not apply
4 with respect to any qualified investment made more than
5 10 years after the effective date of this section.”

6 (c) RECAPTURE.—Section 50(a) of the Internal Rev-
7 enue Code of 1986 (relating to other special rules) is
8 amended by adding at the end the following:

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

14 “(A) GENERAL RULE.—In lieu of the
15 amount of the increase in tax under paragraph
16 (1), the increase in tax shall be an amount
17 equal to the investment tax credit allowed under
18 section 38 for all prior taxable years with re-
19 spect to a qualifying system of continuous emis-
20 sion control (as defined by section 48A(b)(1))
21 multiplied by a fraction whose numerator is the
22 number of years remaining to fully depreciate
23 under this title the qualifying system of contin-
24 uous emission control disposed of, and whose
25 denominator is the total number of years over

1 which such unit would otherwise have been sub-
2 ject to depreciation. For purposes of the pre-
3 ceding sentence, the year of disposition of the
4 qualifying system of continuous emission con-
5 trol property shall be treated as a year of re-
6 maining depreciation.

7 “(B) PROPERTY CEASES TO QUALIFY FOR
8 PROGRESS EXPENDITURES.—Rules similar to
9 the rules of paragraph (2) shall apply in the
10 case of qualified progress expenditures for a
11 qualifying system of continuous emission con-
12 trol under section 48A, except that the amount
13 of the increase in tax under subparagraph (A)
14 of this paragraph shall be substituted in lieu of
15 the amount described in such paragraph (2).

16 “(C) APPLICATION OF PARAGRAPH.—This
17 paragraph shall be applied separately with re-
18 spect to the credit allowed under section 38 re-
19 garding a qualifying system of continuous emis-
20 sion control.”

21 (d) TRANSITIONAL RULE.—Section 39(d) of the In-
22 ternal Revenue Code of 1986 (relating to transitional
23 rules) is amended by adding at the end the following:

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

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

6 (e) TECHNICAL AMENDMENTS.—

7 (1) Section 49(a)(1)(C) is amended by striking
8 “and” at the end of clause (ii), by striking the pe-
9 riod at the end of clause (iii) and inserting “, and”,
10 and by adding at the end the following:

11 “(iv) the portion of the basis of any
12 qualifying system of continuous emission
13 control attributable to any qualified invest-
14 ment (as defined by section 48A(c)).”

15 (2) Section 50(a)(4) is amended by striking
16 “and (2)” and inserting “, (2), and (6)”.

17 (3) Section 50(c)(3) is amended—

18 (A) by inserting “(A)” before “In the case
19 of any energy credit or reforestation credit”
20 and by striking “(A)” and “(B)” and inserting
21 “(i)” and “(ii)”; and

22 (B) by inserting after clause (ii) “(B) Any
23 clean coal technology unit credit shall be ex-
24 empt from paragraph (1) and paragraph (2) of
25 section 50(c).

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

 “Sec. 48A. Qualifying clean coal technology unit credit.”

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

7 (1) Installation of a qualifying system of contin-
8 uous emission control shall be exempt from the new
9 source review provisions of the Clean Air Act (42
10 U.S.C. 1857 et seq.).

11 (2) Installation of a qualifying system of contin-
12 uous emission control that meets or exceeds, for the
13 applicable source category and pollutant being con-
14 trolled by the qualified system of continuous emis-
15 sion control, the standard of performance for new
16 stationary sources, on an existing coal-based elec-
17 tricity generating unit shall exempt the unit from
18 any new or increased emission control requirements
19 for the pollutant being controlled by the qualified
20 system of continuous emission control under title I
21 of the Clean Air Act (42 U.S.C. 1857 et seq.) for
22 a period of 10 years after the date the system of
23 continuous emission control is placed in service.

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

1 2000, under rules similar to the rules of section 48(m)
2 of the Internal Revenue Code of 1986 (as in effect on the
3 day before the date of the enactment of the Revenue Rec-
4 onciliation Act of 1990).

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

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

12 **“SEC. 45E. CREDIT FOR PRODUCTION FROM A QUALIFYING**
13 **CLEAN COAL TECHNOLOGY UNIT.**

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

18 “(1) the applicable clean coal technology pro-
19 duction credit, multiplied by

20 “(2) the kilowatt hours of electricity—

21 “(A) produced by the taxpayer at a quali-
22 fying clean coal technology unit during the 10-
23 year period beginning on the date the unit was
24 returned to service after retrofit, repowering, or
25 replacement, and

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

3 “(b) CLEAN COAL TECHNOLOGY PRODUCTION CRED-
4 IT.—For purposes of this section, the clean coal tech-
5 nology production credit is, except as otherwise provided
6 for in this subparagraph, six tenths of a cent (\$0.006).

7 “(c) INFLATION ADJUSTMENT FACTOR.—The appli-
8 cable amount of the clean coal technology production cred-
9 it shall each be adjusted by multiplying such amount by
10 the inflation adjustment factor for the calendar year in
11 which the amount is applied. If any amount as increased
12 under the preceding sentence is not a multiple of 0.01
13 cent, such amount shall be rounded to the nearest multiple
14 of 0.01 cent.

15 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-
16 poses of this section—

17 “(1) the term ‘qualifying clean coal technology
18 unit’ means a unit of the taxpayer, which (A) is an
19 existing coal-based electricity generating steam gen-
20 erator-turbine unit which (B) has a nameplate ca-
21 pacity rating of not more than 300,000 kilowatts,
22 and (C) has been retrofitted, repowered, or replaced
23 with a clean coal technology within 10 years of the
24 effective date of this section,

1 “(2) the term ‘clean coal technology’ means
2 technology that—

3 “(A) utilizes coal to produce 50 percent or
4 more of its thermal output as electricity, includ-
5 ing advanced pulverized coal or atmospheric flu-
6 idized bed combustion, pressurized fluidized bed
7 combustion, integrated gasification combined
8 cycle, or any other technology for the produc-
9 tion of electricity,

10 “(B) has a design heat rate not less than
11 500 Btu/kWh below that of the existing unit be-
12 fore it is retrofit, repowered, or replaced with
13 the qualifying clean coal technology,

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

18 “(D) has a maximum design heat rate of
19 not more than 10,500 Btu/kWh when the de-
20 sign coal has a heat content of 8,000 Btu per
21 pound or less,

22 “(3) the rules of paragraphs (3), (4), and (5)
23 of section 45 shall apply,

24 “(4) the term ‘inflation adjustment factor’
25 means, with respect to a calendar year, a fraction

1 the numerator of which is the GDP implicit price
2 deflator for the preceding calendar year and the de-
3 nominator of which is the GDP implicit price
4 deflator for the calendar year 1998, and

5 “(5) the term ‘GDP implicit price deflator’
6 means the most recent revision of the implicit price
7 deflator for the gross domestic product as computed
8 by the Department of Commerce before March 15 of
9 the calendar year.”

10 (c) CREDIT TREATED AS BUSINESS CREDIT.—Sec-
11 tion 38(b) of the Internal Revenue Code of 1986 is amend-
12 ed by striking “plus” at the end of paragraph (11), by
13 striking the period at the end of paragraph (12) and in-
14 serting “, plus”, and by adding at the end the following:

15 “(13) the qualifying clean coal technology pro-
16 duction credit determined under section 45E(a).”

17 (d) TRANSITIONAL RULE.—Section 39(d) of the In-
18 ternal Revenue Code of 1986 (relating to transitional
19 rules), as amended by section 1031(d), is amended by add-
20 ing at the end the following:

21 “(11) NO CARRYBACK OF CERTAIN CREDITS
22 BEFORE EFFECTIVE DATE.—No portion of the un-
23 used business credit for any taxable year which is
24 attributable to the credits allowable under any sec-
25 tion added to this subpart by the amendments made

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

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

“Sec. 45E. Credit for production from qualifying clean coal tech-
nology unit.”

8 (f) MODIFICATIONS EXCLUDED FROM NEW SOURCE
9 REVIEW.—

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

15 (2) Installation of a qualifying clean coal tech-
16 nology, that meets or exceeds, for the applicable
17 source category, the standards of performance for
18 new sources under section 111 of the Clean Air Act
19 (42 U.S.C. 1857 et seq.), on an existing coal-based
20 electricity generating unit shall exempt that unit
21 from any new or increased emission control require-
22 ments under title I of the Clean Air Act (42 U.S.C.
23 1857 et seq.) for a period of 10 years after the

1 qualifying clean coal technology is originally placed
2 in service.

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

6 **SEC. 1033. DEBT REPAYMENT FOR THE INVESTMENT IN**
7 **THE RETROFIT, REPOWERING, OR REPLACE-**
8 **MENT OF EXISTING COAL-BASED GENERA-**
9 **TION WITH CERTAIN SYSTEMS OF CONTIN-**
10 **UOUS EMISSION CONTROL AND CLEAN COAL**
11 **TECHNOLOGY.**

12 (a) ALLOWANCE OF DEBT REPAYMENT IN LIEU OF
13 QUALIFYING CLEAN COAL TECHNOLOGY CREDITS.—The
14 owner of a qualified system of continuous emission control
15 under section 1031 or a qualified clean coal technology
16 unit under section 1032 may elect to have the amount of
17 the credits applied to the prepayment of any debt or obli-
18 gations the owner has incurred under subchapter I, chap-
19 ter 31, title 7 of the Rural Electrification Act of 1936
20 (7 U.S.C. 901 et seq.) and has been selected by the owner
21 for such prepayment in lieu of a credit against the owner's
22 tax obligations under the Internal Revenue Code of 1986.

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

1 under section 1032 shall be deemed to be a taxpayer and
2 thereby qualify for the credits for investment in a qualified
3 system of continuous emission control or production from
4 a qualifying clean coal technology facility as described in
5 section 48A, section 45E and allowed by section 38, not-
6 withstanding provisions to the contrary, of the Internal
7 Revenue Code of 1986. Furthermore, neither the amount
8 of the credit produced nor the use of such credit for the
9 prepayment of debt as set forth in subsection (a) shall give
10 rise to “income” for purposes of section 501(c)(12) of
11 such Code.

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

15 **Subtitle C—Incentives for Early**
16 **Commercial Applications of Ad-**
17 **vanced Clean Coal Technologies**

18 **SEC. 1041. CREDIT FOR INVESTMENT IN QUALIFYING AD-**
19 **VANCED CLEAN COAL TECHNOLOGY.**

20 (a) ALLOWANCE OF QUALIFYING ADVANCED CLEAN
21 COAL TECHNOLOGY FACILITY CREDIT.—Section 46 of
22 the Internal Revenue Code of 1986 (relating to amount
23 of credit) is amended by striking “and” at the end of para-
24 graph (3), by striking the period at the end of paragraph

1 (4) and inserting “, and”, and by adding at the end the
2 following:

3 “(5) the qualifying advanced clean coal tech-
4 nology facility credit.”

5 (b) AMOUNT OF QUALIFYING ADVANCED CLEAN
6 COAL TECHNOLOGY FACILITY CREDIT.—Subpart E of
7 part IV of subchapter A of chapter 1 of the Internal Rev-
8 enue Code of 1986 (relating to rules for computing invest-
9 ment credit) is amended by inserting after section 48A
10 the following:

11 **“SEC. 48B. QUALIFYING ADVANCED CLEAN COAL TECH-
12 NOLOGY FACILITY CREDIT.**

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

18 “(b) QUALIFYING ADVANCED CLEAN COAL TECH-
19 NOLOGY FACILITY.—

20 “(1) IN GENERAL.—For purposes of subsection
21 (a) the term ‘qualifying advanced clean coal tech-
22 nology facility’ means a facility of the taxpayer—

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

1 nal use of which commences with the taxpayer,
2 or

3 “(II) which is a retrofitted or repowered
4 conventional technology facility, the retrofitting
5 or repowering of which is completed by the tax-
6 payer (but only with respect to that portion of
7 the basis which is properly attributable to such
8 retrofitting or repowering), or

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

11 “(B) that is depreciable under section 167,

12 “(C) that has a useful life of not less than
13 4 years,

14 “(D) that is located in the United States,
15 and

16 “(E) that uses qualifying advanced clean
17 coal technology.

18 “(2) SPECIAL RULE FOR SALE-LEASEBACKS.—

19 For purposes of subparagraph (A) of paragraph (1),
20 in the case of a facility that—

21 “(A) is originally placed in service by a
22 person, and

23 “(B) is sold and leased back by such per-
24 son, or is leased to such person, within 3
25 months after the date such facility was origi-

1 nally placed in service, for a period of not less
2 than 12 years,
3 such facility shall be treated as originally placed in
4 service not earlier than the date on which such prop-
5 erty is used under the leaseback (or lease) referred
6 to in subparagraph (B). The preceding sentence
7 shall not apply to any property if the lessee and les-
8 sor of such property make an election under this
9 sentence. Such an election, once made, may be re-
10 voked only with the consent of the Secretary.

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

13 “(A) IN GENERAL.—The term ‘qualifying
14 advanced clean coal technology’ means, with re-
15 spect to clean coal technology—

16 “(i) applications totaling 1,000
17 megawatts of advanced pulverized coal or
18 atmospheric fluidized bed combustion tech-
19 nology (I) installed as a new, retrofit, or
20 repowering application, (II) operated be-
21 tween 2000 and 2015, (III) has a design
22 net heat rate of not more than 8,750 Btu
23 per kilowatt hour when the design coal has
24 a heat content of more than 8,000 Btu per
25 round, or has a design net heat rate of not

1 more than 9,500 Btu per kilowatt hour
2 when the design coal has a heat content of
3 8,000 Btu per pound or less,

4 “(ii) applications totaling 1,500
5 megawatts of pressurized fluidized bed
6 combustion technology installed as a new,
7 retrofit, or repowering application and op-
8 erated between 2000 and 2015 that has a
9 design net heat rate of not more than
10 8,400 Btu per kilowatt hour when the de-
11 sign coal has a heat content of more than
12 8,000 Btu per pound, and has a design net
13 heat rate of not more than 9,500 Btu’s per
14 kilowatt hour when the design coal has a
15 heat content of 8,000 Btu per pound or
16 less,

17 “(iii) applications totaling 1,500
18 megawatts of integrated gasification com-
19 bined cycle technology (I) installed as a
20 new, retrofit, or repowering application,
21 (II) operated between 2000 and 2015,
22 (III) has a design net heat rate of not
23 more than 8,550 Btu per kilowatt hour
24 when the design coal has a heat content of
25 more than 8,000 Btu per pound, or (IV)

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

5 “(iv) applications totaling 2,000
6 megawatts of technology for the production
7 of electricity (I) installed as a new, retrofit,
8 or repowering application, (II) operated be-
9 tween 2000 and 2015, and (III) has a car-
10 bon emission rate that is not more than
11 85 percent of conventional technology.

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

17 “(C) CLEAN COAL TECHNOLOGY.—The
18 term ‘clean coal technology’ means advanced
19 technology that utilizes coal to produce 50 per-
20 cent or more of its thermal output as electricity
21 including advanced pulverized coal or atmos-
22 pheric fluidized bed combustion, pressurized flu-
23 idized bed combustion, integrated gasification
24 combined cycle, and any other technology for

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

3 “(D) CONVENTIONAL TECHNOLOGY.—The
4 term ‘conventional technology’ means—

5 “(i) coal-fired combustion technology
6 with a design net heat rate of not less than
7 9,300 Btu’s per kilowatt hour (HHV) and
8 a carbon equivalents omission rate of not
9 more than 0.53 pounds of carbon per kilo-
10 watt hour when the design coal has a heat
11 content of more than 8,000 Btu per
12 pound, or

13 “(ii) coal-fired combustion technology
14 with a design net heat rate of not less than
15 10,500 Btu’s per kilowatt hour (HHV)
16 and a carbon equivalents emission rate of
17 not more than 0.60 pounds of carbon per
18 kilowatt hour when the design coal has a
19 heat content of 8,000 Btu per pound or
20 less, or

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

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

3 “(E) DESIGN NET HEAT RATE.—The term
4 ‘design net heat rate’ shall be based on the de-
5 sign annual heat input to and the design annual
6 net electrical output from the qualifying ad-
7 vanced clean coal technology (determined with-
8 out regard to such technology’s cogeneration of
9 steam).

10 “(F) SELECTION CRITERIA.—Selection cri-
11 teria for clean coal technology facilities—

12 “(i) shall be established by the Sec-
13 retary of Energy as part of a competitive
14 solicitation,

15 “(ii) shall include primary criteria of
16 minimum design net heat rate, maximum
17 design thermal efficiency, and lowest cost
18 to the Government, and

19 “(iii) shall include supplemental cri-
20 teria as determined appropriate by the
21 Secretary of Energy.

22 “(c) QUALIFIED INVESTMENT.—For purposes of sub-
23 section (a), the term ‘qualified investment’ means, with
24 respect to any taxable year, the basis of a qualifying ad-

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

3 “(d) QUALIFIED PROGRESS EXPENDITURES.—

4 “(1) INCREASE IN QUALIFIED INVESTMENT.—

5 In the case of a taxpayer who has made an election
6 under paragraph (5), the amount of the qualified in-
7 vestment of such taxpayer for the taxable year (de-
8 termined under subsection (c) without regard to this
9 section) shall be increased by an amount equal to
10 the aggregate of each qualified progress expenditure
11 for the taxable year with respect to progress expend-
12 iture property.

13 “(2) PROGRESS EXPENDITURE PROPERTY DE-

14 FINED.—For purposes of this subsection, the term
15 ‘progress expenditure property’ means any property
16 being constructed by or for the taxpayer and which
17 it is reasonable to believe will qualify as a qualifying
18 advanced clean coal technology facility which is
19 being constructed by or for the taxpayer when it is
20 placed in service.

21 “(3) QUALIFIED PROGRESS EXPENDITURES DE-

22 FINED.—For purposes of this subsection—

23 “(A) SELF-CONSTRUCTED PROPERTY.—In

24 the case of any self-constructed property, the
25 term ‘qualified progress expenditures’ means

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

5 “(B) NON-SELF-CONSTRUCTED PROP-
6 ERTY.—In the case of non-self-constructed
7 property, the term ‘qualified progress expendi-
8 tures’ means the amount paid during the tax-
9 able year to another person for the construction
10 of such property.

11 “(4) OTHER DEFINITIONS.—For purposes of
12 this subsection—

13 “(A) SELF-CONSTRUCTED PROPERTY.—
14 The term ‘self-constructed property’ means
15 property for which it is reasonable to believe
16 that more than half of the construction expendi-
17 tures will be made directly by the taxpayer.

18 “(B) NON-SELF-CONSTRUCTED PROP-
19 ERTY.—The term ‘non-self-constructed prop-
20 erty’ means property which is not self-con-
21 structed property.

22 “(C) CONSTRUCTION, ETC.—The term
23 ‘construction’ includes reconstruction and erec-
24 tion, and the term ‘constructed’ includes recon-
25 structed and erected.

1 “(D) ONLY CONSTRUCTION OF QUALI-
2 FYING ADVANCED CLEAN COAL TECHNOLOGY
3 FACILITY TO BE TAKEN INTO ACCOUNT.—Con-
4 struction shall be taken into account only if, for
5 purposes of this subpart, expenditures therefor
6 are properly chargeable to capital account with
7 respect to the property.

8 “(5) ELECTION.—An election under this sub-
9 section may be made at such time and in such man-
10 ner as the Secretary may by regulations prescribe.
11 Such an election shall apply to the taxable year for
12 which made and to all subsequent taxable years.
13 Such an election, once made, may not be revoked ex-
14 cept with the consent of the Secretary.

15 “(e) COORDINATION WITH OTHER CREDITS.—This
16 section shall not apply to any property with respect to
17 which the rehabilitation credit under section 47 or the en-
18 ergy credit under section 48 is allowed unless the taxpayer
19 elects to waive the application of such credit to such prop-
20 erty.

21 “(f) TERMINATION.—This section shall not apply
22 with respect to any qualified investment made more than
23 10 years after the effective date of this section.”

1 (c) RECAPTURE.—Section 50(a) of the Internal Rev-
2 enue Code of 1986 (relating to other special rules) is
3 amended by adding at the end the following:

4 “(7) SPECIAL RULES RELATING TO QUALIFYING
5 ADVANCED CLEAN COAL TECHNOLOGY FACILITY.—

6 For purposes of applying the subsection in the case
7 of any credit allowable by reason of section 48B, the
8 following shall apply:

9 “(A) GENERAL RULE.—In lieu of the
10 amount of the increase in tax under paragraph
11 (1), the increase in tax shall be an amount
12 equal to the investment tax credit allowed under
13 section 38 for all prior taxable years with re-
14 spect to a qualifying advanced clean coal tech-
15 nology facility (as defined by section 48B(b)(1))
16 multiplied by a fraction whose numerator is the
17 number of years remaining to fully depreciate
18 under this title the qualifying advanced clean
19 coal technology facility disposed of, and whose
20 denominator is the total number of years over
21 which such facility would otherwise have been
22 subject to depreciation. For purposes of this
23 preceding sentence, the year of disposition of
24 the qualifying advanced clean coal technology

1 facility property shall be treated as a year of re-
2 maining depreciation.

3 “(B) PROPERTY CEASES TO QUALIFY FOR
4 PROGRESS EXPENDITURES.—Rules similar to
5 the rules of paragraph (2) shall apply in the
6 case of qualified progress expenditures for a
7 qualifying advanced clean coal technology facil-
8 ity under section 48B, except that the amount
9 of the increase in tax under subparagraph (A)
10 of this paragraph shall be substituted in lieu of
11 the amount described in such paragraph (2).

12 “(C) APPLICATION OF PARAGRAPH.—This
13 paragraph shall be applied separately with re-
14 spect to the credit allowed under section 38 re-
15 garding a qualifying advanced clean coal tech-
16 nology facility.”

17 (d) TRANSITIONAL RULE.—Section 39(d) of the In-
18 ternal Revenue Code of 1986 (relating to transitional
19 rules) is amended by adding at the end the following:

20 “(12) NO CARRYBACK TO SECTION 48B CREDIT
21 BEFORE EFFECTIVE DATE.—No portion of the un-
22 used business credit for any taxable year which is
23 attributable to the qualifying advanced clean coal
24 technology facility credit determined under section

1 48B may be carried back to a taxable year ending
2 before the date of the enactment of section 48B.”

3 (e) TECHNICAL AMENDMENTS.—

4 (1) Section 49(a)(1)(C) is amended by striking
5 “and” at the end of clause (iii), by striking the pe-
6 riod at the end of clause (iv) and inserting “, and”,
7 and by adding at the end the following:

8 “(v) the portion of the basis of any
9 qualifying advanced clean coal technology
10 facility attributable to any qualified invest-
11 ment (as defined by section 48B(c)).”

12 (2) Section 50(a)(4) is amended by striking
13 “and (6)” and inserting “, (6), and (7)”.

14 (3) Section 50(c)(3) is amended by inserting
15 after subparagraph (C) the following:

16 “(D) Any advanced clean coal technology
17 facility credit shall be exempt from paragraph
18 (1) and paragraph (2) of section 50(c).

19 (4) The table of sections for subpart E of part
20 IV of subchapter A of chapter 1 is amended by in-
21 serting after the item relating to section 48A the fol-
22 lowing:

“Sec. 48B. Qualifying advanced clean coal technology facility
credit.”

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

1 (1) Installation of a qualifying advanced clean
2 coal technology facility shall be exempt from the new
3 source review provisions of the Clean Air Act (42
4 U.S.C. 1857 et seq.).

5 (2) Installation of a qualifying advanced clean
6 coal technology facility that meets or exceeds, for the
7 applicable source category, the standards of per-
8 formance for new stationary sources established
9 under section 111 of the Clean Air Act (42 U.S.C.
10 1857 et seq.), shall exempt that facility from any
11 new or increased emission control requirements
12 under title I of the Clean Air Act (42 U.S.C. 1857
13 et seq.) for a period of 10 years after the qualifying
14 clean coal technology facility is originally placed in
15 service.

16 (g) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to periods after December 31,
18 2000, under rules similar to the rules of section 48(m)
19 of the Internal Revenue Code of 1986 (as in effect on the
20 day before the date of the enactment of the Revenue Rec-
21 onciliation Act of 1990).

22 **SEC. 302. CREDIT FOR PRODUCTION FROM QUALIFYING**
23 **ADVANCED CLEAN COAL TECHNOLOGY.**

24 (a) CREDIT FOR PRODUCTION FROM QUALIFYING
25 ADVANCED CLEAN COAL TECHNOLOGY.—Subpart D of

1 part IV of subchapter A of chapter 1 of the Internal Rev-
2 enue Code of 1986 (relating to business related credits)
3 is amended by adding at the end the following:

4 **“SEC. 45F. CREDIT FOR PRODUCTION FROM QUALIFYING**
5 **ADVANCED CLEAN COAL TECHNOLOGY.**

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

9 “(1) the applicable amount of advanced clean
10 coal technology production credit, multiplied by

11 “(2) the kilowatt hours of electricity—

12 “(A) produced by the taxpayer at a quali-
13 fying advanced clean coal technology facility
14 during the 10-year period beginning on the date
15 the facility was originally placed in service, and

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

18 “(b) APPLICABLE AMOUNT.—For purposes of this
19 section, the applicable amount with respect to production
20 from a qualifying advanced clean coal technology facility
21 shall be determined as follows:

22 “(1) In the case of a facility originally placed
23 in service before 2008, if

24

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

1 “(2) In the case of a facility originally placed
 2 in service after 2007 and before 2012, if
 3

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

4 “(3) In the case of a facility originally placed
 5 in service after 2011 and before 2016, if
 6

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

7 “(c) INFLATION ADJUSTMENT FACTOR.—Each
 8 amount in paragraphs (1), (2), and (3) shall be adjusted
 9 by multiplying such amount by the inflation adjustment
 10 factor for the calendar year in which the amount is ap-
 11 plied. If any amount as increased under the preceding sen-
 12 tence is not a multiple of 0.01 cent, such amount shall
 13 be rounded to the nearest multiple of 0.01 cent.

1 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-
2 poses of this section—

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

5 “(2) the term ‘inflation adjustment factor’
6 means, with respect to a calendar year, a fraction
7 the numerator of which is the GDP implicit price
8 deflator for the preceding calendar year and the de-
9 nominator of which is the GDP implicit price
10 deflator for the calendar year 1998, and

11 “(3) the term ‘GDP implicit price deflator’
12 means the most recent revision of the implicit price
13 deflator for the gross domestic product as computed
14 by the Department of Commerce before March 15 of
15 the calendar year.”

16 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-
17 tion 38(b) of the Internal Revenue Code of 1986 is amend-
18 ed by striking “plus” at the end of paragraph (11), by
19 striking the period at the end of paragraph (12) and in-
20 serting “, plus”, and by adding at the end the following:

21 “(13) the qualifying advanced clean coal tech-
22 nology production credit determined under section
23 45F(a).”

24 (c) TRANSITIONAL RULE.—Section 39(d) of the In-
25 ternal Revenue Code of 1986 (relating to transitional

1 rules), as amended by section 201(d), is amended by add-
 2 ing at the end the following:

3 “(13) NO CARRYBACK OF CERTAIN CREDITS
 4 BEFORE EFFECTIVE DATE.—No portion of the un-
 5 used business credit for any taxable year which is
 6 attributable to the credits allowable under any sec-
 7 tion added to this subpart by the amendments made
 8 by the National Energy Security Tax Act of 2000
 9 may be carried back to a taxable year ending before
 10 the date of the enactment of such Act.”

11 (d) CLERICAL AMENDMENT.—The table of sections
 12 for subpart D of part IV of subchapter A of chapter 1
 13 of the Internal Revenue Code of 1986 is amended by add-
 14 ing at the end the following:

 “Sec. 45F. Credit for production from qualifying advanced clean
 coal technology.”

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

18 **SEC. 1043. DEBT REPAYMENT FOR THE INVESTMENT IN AD-**
 19 **VANCED CLEAN COAL TECHNOLOGY.**

20 (a) ALLOWANCE OF DEBT REPAYMENT IN LIEU OF
 21 QUALIFYING ADVANCED CLEAN COAL TECHNOLOGY
 22 CREDITS.—The owner of a qualified advanced clean coal
 23 technology facility under sections 1041 and 1042 may
 24 elect to have the amount of the qualifying clean coal tech-

1 nology credits applied to the prepayment of any debt or
2 obligations the owner has incurred under subchapter I,
3 chapter 31, title 7 of the Rural Electrification Act of 1936
4 (7 U.S.C. 901 et seq.) and has been selected by the owner
5 for such prepayment in lieu of a credit against the owner's
6 tax obligations under the Internal Revenue Code of 1986.

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