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110TH CONGRESS
1ST SESSION

H. R. 670

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

IN THE HOUSE OF REPRESENTATIVES

JANUARY 24, 2007

Mr. ENGEL (for himself, Mr. KINGSTON, Mr. INSLEE, Mr. SAXTON, Ms. ESHOO, Mrs. BONO, Mr. WYNN, Mr. TERRY, Ms. HARMAN, Mr. ROGERS of Alabama, Ms. SCHAKOWSKY, Mr. BARTLETT of Maryland, Mr. UDALL of Colorado, Mr. INGLIS of South Carolina, Mr. ROSS, Mr. CAMPBELL of California, Mr. WEINER, Mr. GILCHREST, Mr. TOWNS, Mr. SOUDER, Mr. DEFAZIO, Mr. GERLACH, Mr. BISHOP of New York, Mr. RENZI, Mr. ISRAEL, Mr. EVERETT, Mr. HALL of New York, Mr. LOBIONDO, Ms. MATSUI, Mr. MCCOTTER, Mrs. LOWEY, Mr. LINDER, Mr. KUHL of New York, Mr. HINCHEY, Mr. WESTMORELAND, Mr. BERMAN, Mr. GINGREY, Mr. ACKERMAN, Mr. ANDREWS, Mr. ARCURI, Ms. BERKLEY, Mr. BISHOP of Georgia, Mr. COHEN, Mr. CLEAVER, Ms. GIFFORDS, Mrs. GILLIBRAND, Mr. HONDA, Mr. KIND, Mr. KLEIN of Florida, Mr. LIPINSKI, Mr. MCNULTY, Ms. MCCOLLUM of Minnesota, Mr. MOORE of Kansas, Mr. MORAN of Virginia, Mrs. NAPOLITANO, Mr. PRICE of North Carolina, Ms. SCHWARTZ, Mr. ROTHMAN, Mr. RUPPERSBERGER, Mr. SCHIFF, Mr. BURTON of Indiana, Mr. SCOTT of Georgia, Mr. PLATTS, Mr. SHERMAN, Mr. WEXLER, Mr. PRICE of Georgia, Mr. LINCOLN DAVIS of Tennessee, and Mr. LANTOS) introduced the following bill; which was referred to the Committee on Energy and Commerce, and in addition to the Committees on Science and Technology, Ways and Means, Transportation and Infrastructure, and Oversight and Government Reform, 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 promote the national security and stability of the United States economy by reducing the dependence of the United States on foreign oil through the use of alternative fuels and new vehicle technologies, and for other purposes.

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

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Dependence Reduction through Innovation in Vehicles and Energy Act'' or the ''DRIVE Act''.

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

SEC. 2. FINDINGS AND PURPOSES.

(a) FINDINGS.—Congress finds that—

(1) the United States is dangerously dependent on oil;

(2) that dependence threatens the national security, weakens the economy, and harms the environment of the United States;

(3) the United States currently imports nearly 60 percent of oil needed in the United States, and that percentage is expected to grow to almost 70 percent by 2025 if no actions are taken;

(4) approximately 2,500,000 barrels of oil per day are imported from countries in the Persian Gulf region;

(5) that dependence on foreign oil undermines the war on terror by financing both sides of the war;

(6) in 2004 alone, the United States sent $103,000,000,000 to undemocratic countries, some of which use revenues to support terrorism and spread ideology hostile to the United States, as documented by the Council on Foreign Relations;

(7) terrorists have identified oil as a strategic vulnerability and have increased attacks against oil infrastructure worldwide;

(8) the International Energy Agency in its World Outlook 2006 report projected that ''non-OPEC conventional crude oil output peaks by the middle of the next decade. . .trends would accentuate consuming countries' vulnerability to a severe supply disruption and resulting price shock'' and recommended that ''strong policy action is needed to move the world onto a more sustainable energy path'';

(9) oil imports comprise nearly 30 percent of the dangerously high United States trade deficit;

(10) it is technically feasible to achieve oil savings of more than 2,500,000 barrels per day by 2015 and 5,000,000 barrels per day by 2025;

(11) those goals can be achieved by establishing a set of flexible policies, including—

(A) increasing the gasoline-efficiency of cars, trucks, tires, and oil;

(B) providing economic incentives for companies and consumers to produce and purchase 21st Century fuel efficient and flexible fuel vehicles;

(C) encouraging the use of transit and the reduction of truck and bus idling;

(D) increasing production and commercialization of alternative liquid fuels;

(E) increasing the efficiency of current oil based fuels with combustion enhancers and other advanced technology; and

(F) increasing the use of electricity as a transportation fuel;

(12) vehicle technology available as of the date of enactment of this Act (including popular hybrid-electric vehicle models, the sales of which in the United States increased 173 percent in the first 5 months of 2005 as compared with the same period in 2004) make an oil savings plan eminently achievable;

(13) alternative and renewable liquid transportation fuels are already available (including corn and sugar based ethanol, biodiesel, methanol, and diesel fuels derived from coal) to make such an oil savings and fuel choice plan eminently achievable;

(14) achieving those goals will benefit consumers and businesses through lower fuel bills and reduction in world oil prices;

(15) achieving those goals will help protect the economy of the United States from high and volatile oil prices and from the threats caused by global instability, terrorism, and natural disaster; and

(16) it is urgent, essential, and feasible to implement an action plan to achieve oil savings as soon as practicable because any delay in initiating action will—

(A) make achieving necessary oil savings more difficult and expensive;

(B) increase the risks to the national security, economy, and environment of the United States; and

(C) leave the American people and economy vulnerable to the threats posed by terrorism, natural disaster, political instability,

and the shrinking ability of global oil supplies to meet rapidly expanding oil demands.

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

(1) to accelerate market penetration of flexible fuel, electric drive, and alternative motor vehicles;

(2) to enable the accelerated market penetration of efficient technologies and alternative fuels without adverse impact on air quality while maintaining a policy of fuel neutrality, so as to allow market forces to elect the technologies and fuels that are consumer-friendly, safe, environmentally-sound, and economic;

(3) to provide time-limited financial incentives to encourage production and consumer purchase of oil saving technologies and fuels nationwide;

(4) to promote a nationwide diversity of motor vehicle fuels and advanced motor vehicle technology, including advanced lean burn technology, hybrid technology, flexible fuel motor vehicles, alternatively fueled motor vehicles, and other oil saving technologies; and

(5) to decrease American dependence on imported oil.

TITLE I—OIL SAVINGS ACTION PLAN AND REQUIREMENTS

SEC. 101. OIL SAVINGS TARGET AND ACTION PLAN.

Not later than 270 days after the date of enactment of this Act, the Director of the Office of Management and Budget (referred to in this title as the ''Director'') shall publish in the Federal Register an action plan consisting of—

(1) a list of requirements proposed or to be proposed pursuant to section 102 that are authorized to be issued under law in effect on the date of enactment of this Act, and this Act, that will be sufficient, when taken together, to save from the baseline determined under section 105—

(A) 2,500,000 barrels of oil per day on average during calendar year 2015; and

(B) 5,000,000 barrels of oil per day on average during calendar year 2025; and

(2) a Federal Government-wide analysis demonstrating—

(A) the expected oil savings from the baseline to be accomplished by each requirement; and

(B) that all such requirements, taken together, will achieve the oil savings specified in this section.

SEC. 102. STANDARDS AND REQUIREMENTS.

(a) IN GENERAL.—On or before the date by which publication of the action plan is required under section 101, the Secretary of Energy, the Secretary of Transportation, the Secretary of Defense, the Secretary of Agriculture, the Administrator of the Environmental Protection Agency, and the head of any other agency authorized to take an action listed in the action plan shall each propose, or issue a notice of intent to propose, regulations establishing each standard or other requirement listed in the action plan that is under the jurisdiction of the respective agency using authorities described in subsection (b). If a notice of intent to propose is issued, the head of the responsible agency shall propose such regulations not later than 330 days after the date of enactment of this Act.

(b) AUTHORITIES.—The head of each agency described in subsection (a) shall use to carry out this section—

(1) any authority in existence on the date of enactment of this Act (including regulations); and

(2) any new authority provided under this Act (including an amendment made by this Act).

(c) FINAL REGULATIONS.—Not later than 18 months after the date of enactment of this Act, the head of each agency described in subsection (a) shall promulgate final versions of the regulations required under this section.

(d) CONTENT OF REGULATIONS.—Each proposed and final regulation promulgated under this section shall—

(1) be sufficient to achieve at least the oil savings resulting from the regulation under the action plan published under section 101; and

(2) be accompanied by an analysis by the applicable agency demonstrating that the regulation will achieve such oil savings, as measured from the baseline determined under section 105.

SEC. 103. EVALUATION.

(a) IN GENERAL.—Not later than 2 years after the date of enactment of this Act, and after an opportunity for public comment, the Director shall publish in the Federal Register a Federal Government-wide analysis of the oil savings achieved and the expected oil savings under the standards and requirements established under this Act and the amendments made by this Act from the baseline established under section 105, and a determination whether such oil savings will meet the targets established under section 101.

(b) INADEQUATE OIL SAVINGS.—If the oil savings are less than the targets established under section 101, simultaneously with the analysis required under subsection (a)—

(1) the Director shall publish a revised action plan that is sufficient to achieve the targets; and

(2) the head of each agency referred to in section 102(a) shall propose new or revised regulations sufficient to achieve such targets under section 102(a).

(c) FINAL REGULATIONS.—Not later than 180 days after the date on which regulations are proposed under subsection (b)(2), the head of each agency shall promulgate final versions of those regulations that comply with section 102(d).

SEC. 104. REVIEW AND UPDATE OF ACTION PLAN.

(a) REVIEW.—Not later than January 1, 2011, and every 3 years thereafter, the Director shall publish a report that—

(1) evaluates the progress achieved in implementing the oil savings targets established under section 101;

(2) analyzes the expected oil savings under the standards and requirements established under this Act and the amendments made by this Act; and

(3)(A) analyzes the potential to achieve oil savings that are in addition to the savings required by section 101; and

(B) if the President determines that it is in the national interest, establishes a higher oil savings target for calendar year 2017 or any subsequent calendar year.

(b) INADEQUATE OIL SAVINGS.—If the oil savings are less than the targets established under section 101, simultaneously with the report required under subsection (a)—

(1) the Director shall publish a revised action plan that is sufficient to achieve the targets; and

(2) the head of each agency referred to in section 102(a) shall propose new or revised regulations sufficient to achieve such targets under section 102(a).

(c) FINAL REGULATIONS.—Not later than 180 days after the date on which regulations are proposed under subsection (b)(2), the head of each agency referred to in section 102(a) shall promulgate final versions of those regulations that comply with section 102(d).

SEC. 105. BASELINE AND ANALYSIS REQUIREMENTS.

In performing the analyses and promulgating proposed or final regulations to establish standards and other

requirements necessary to achieve the oil savings required by this title, the Director, the Secretary of Energy, the Secretary of Transportation, the Secretary of Defense, the Secretary of Agriculture, the Administrator of the Environmental Protection Agency, and the head of any other agency authorized to take an action listed in the action plan shall—

(1) determine oil savings as the projected reduction in oil consumption from the baseline established by the reference case contained in the report of the Energy Information Administration entitled ''Annual Energy Outlook 2006'';

(2) determine the oil savings projections required on an annual basis for each of calendar years 2009 through 2026; and

(3) account for any overlap among the standards and other requirements to ensure that the projected oil savings from all the promulgated standards and requirements, taken together, are as accurate as practicable.

SEC. 106. REVIEW AND SCORING OF FEDERAL ACTIONS RELATED TO OIL SAVINGS ACTION PLAN.

(a) OFFICE OF MANAGEMENT AND BUDGET.—

(1) REQUIREMENT.—The Director shall—

(A) establish procedures to evaluate all proposals for Federal legislative or executive actions which could be reasonably considered to impact the supply or demand of oil in the United States; and

(B) report to the Congress on the net impact the reviewed proposal would have on reaching the goals of the action plan required under section 101, including a score in terms of projected decreases or increases to oil usage.

(2) CONCLUSIONS.—The conclusions of the Director under paragraph (1) shall also be published in the public record and considered as part of any rulemaking procedure or impact statement.

(b) COMPTROLLER GENERAL.—

(1) REQUIREMENT.—The Comptroller General shall—

(A) establish procedures to evaluate all proposals for Federal legislative or executive actions which could be reasonably considered to impact the supply or demand of oil in the United States; and

(B) report to the Congress on the net impact the reviewed proposal would have on reaching the goals of the action plan required

under section 101, including a score in terms of projected decreases or increases to oil usage.

(2) CONCLUSIONS.—The conclusions of the Comptroller General under paragraph (1) shall also be published in the public record and considered as part of any rulemaking procedure or impact statement.

SEC. 107. FEDERAL GOVERNMENT OIL USAGE AUDIT.

Not later than 2 years after the date of enactment of this Act, each Federal agency shall complete an audit of oil-derived fuel usage in the agency. The head of the agency shall establish an oil usage baseline and develop a plan to reduce oil consumption by 10 percent over 5 years and 20 percent in 10 years. The Secretary of Energy shall compile an annual report containing all agency reports and recommendations under this section and deliver it to the Congress not later than January 31 of each year.

SEC. 108. NATIONWIDE MEDIA CAMPAIGN TO DECREASE OIL CONSUMPTION.

(a) IN GENERAL.—The Secretary of Energy, acting through the Assistant Secretary for Energy Efficiency and Renewable Energy (referred to in this section as the ''Secretary''), shall develop and conduct a national media campaign for the purpose of decreasing oil consumption in the United States over the next decade.

(b) CONTRACT WITH ENTITY.—The Secretary shall carry out subsection (a) directly or through—

(1) competitively bid contracts with 1 or more nationally recognized media firms for the development and distribution of monthly television, radio, and newspaper public service announcements; or

(2) collective agreements with 1 or more nationally recognized institutes, businesses, or nonprofit organizations for the funding, development, and distribution of monthly television, radio, and newspaper public service announcements.

(c) USE OF FUNDS.—

(1) IN GENERAL.—Amounts made available to carry out this section shall be used for the following:

(A) ADVERTISING COSTS.—

(i) The purchase of media time and space.

(ii) Creative and talent costs.

(iii) Testing and evaluation of advertising.

(iv) Evaluation of the effectiveness of the media campaign.

(v) The negotiated fees for the winning bidder on requests from proposals

issued either by the Secretary for purposes otherwise authorized in this section.

(vi) Entertainment industry outreach, interactive outreach, media projects and activities, public information, news media outreach, and corporate sponsorship and participation.

(B) ADMINISTRATIVE COSTS.—Operational and management expenses.

(2) LIMITATIONS.—In carrying out this section, the Secretary shall allocate not less than 85 percent of funds made available under subsection (e) for each fiscal year for the advertising functions specified under paragraph (1)(A).

(d) REPORTS.—The Secretary shall annually submit to Congress a report that describes—

(1) the strategy of the national media campaign and whether specific objectives of the campaign were accomplished, including—

(A) determinations concerning the rate of change of oil consumption, in both absolute and per capita terms; and

(B) an evaluation that enables consideration whether the media campaign contributed to reduction of oil consumption;

(2) steps taken to ensure that the national media campaign operates in an effective and efficient manner consistent with the overall strategy and focus of the campaign;

(3) plans to purchase advertising time and space;

(4) policies and practices implemented to ensure that Federal funds are used responsibly to purchase advertising time and space and eliminate the potential for waste, fraud, and abuse; and

(5) all contracts or cooperative agreements entered into with a corporation, partnership, or individual working on behalf of the national media campaign.

(e) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $50,000,000 for each of fiscal years 2008 through 2012.

TITLE II—FUEL EFFICIENT VEHICLES FOR THE 21ST CENTURY

SEC. 201. TIRE EFFICIENCY PROGRAM.

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

(1) in subsection (b)—

(A) in the first sentence, by striking ''The Secretary'' and inserting the following:

''(1) UNIFORM QUALITY GRADING SYSTEM.—

''(A) IN GENERAL.—The Secretary'';

(B) in the second sentence, by striking ''The Secretary'' and inserting the following:

''(2) NOMENCLATURE AND MARKETING PRACTICES.—The Secretary'';

(C) in the third sentence, by striking ''A tire standard'' and inserting the following:

''(3) EFFECT OF STANDARDS AND REGULATIONS.—A tire standard''; and

(D) in paragraph (1), as designated by subparagraph (A), by adding at the end the following:

''(B) INCLUSION.—The grading system established pursuant to subparagraph (A) shall include standards for rating the fuel efficiency of tires designed for use on passenger cars and light trucks.''; and

(2) by adding at the end the following:

''(d) NATIONAL TIRE EFFICIENCY PROGRAM.—

''(1) DEFINITION.—In this subsection, the term 'fuel economy', with respect to a tire, means the extent to which the tire contributes to the fuel econ-

omy of the motor vehicle on which the tire is mounted.

''(2) PROGRAM.—The Secretary shall develop and carry out a national tire fuel efficiency program for tires designed for use on passenger cars and light trucks.

''(3) REQUIREMENTS.—Not later than March 31, 2008, the Secretary shall issue regulations, which establish—

''(A) policies and procedures for testing and labeling tires for fuel economy to enable tire buyers to make informed purchasing decisions about the fuel economy of tires;

''(B) policies and procedures to promote the purchase of energy efficient replacement tires, including purchase incentives, website listings on the Internet, printed fuel economy guide booklets, and mandatory requirements for tire retailers to provide tire buyers with fuel efficiency information on tires; and

''(C) minimum fuel economy standards for tires.

''(4) MINIMUM FUEL ECONOMY STANDARDS.—In promulgating minimum fuel economy standards for tires, the Secretary shall design standards that—

"(A) ensure, in conjunction with the requirements under paragraph (3)(B), that the average fuel economy of replacement tires is not less than the average fuel economy of tires sold as original equipment;

"(B) secure the maximum technically feasible and cost-effective fuel savings;

"(C) do not adversely affect tire safety;

"(D) incorporate the results from—

"(i) laboratory testing; and

"(ii) to the extent appropriate and available, on-road fleet testing programs conducted by manufacturers; and

"(E) do not adversely affect efforts to manage scrap tires.

"(5) APPLICABILITY.—The policies, procedures, and standards developed under paragraph (3) shall apply to all tire types and models regulated under the uniform tire quality grading standards in section 575.104 of title 49, Code of Federal Regulations (or a successor regulation).

"(6) REVIEW.—

"(A) IN GENERAL.—Not less than once every 3 years, the Secretary shall—

"(i) review the minimum fuel economy standards in effect for tires under this subsection; and

"(ii) subject to subparagraph (B), revise the standards as necessary to ensure compliance with standards described in paragraph (4).

"(B) LIMITATION.—The Secretary may not reduce the average fuel economy standards applicable to replacement tires.

"(7) NO PREEMPTION OF STATE LAW.—Nothing in this section shall be construed to preempt any provision of State law relating to higher fuel economy standards applicable to replacement tires designed for use on passenger cars and light trucks.

"(8) EXCEPTIONS.—Nothing in this section shall apply to—

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

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

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

''(D) a motorcycle tire; or

''(E) a tire manufactured specifically for use in an off-road motorized recreational vehicle.''.

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

(c) TIME FOR IMPLEMENTATION.—Beginning not later than March 31, 2008, the Secretary of Transportation shall administer the national tire fuel efficiency program established under section 30123(d) of title 49, United States Code, in accordance with the policies, procedures, and standards developed under section 30123(d)(3) of such title.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated, for each of fiscal years 2008 through 2012, such sums as may be necessary to carry out section 30123(d) of title 49, United States Code, as added by subsection (a).

SEC. 202. REDUCTION OF SCHOOL BUS IDLING.

(a) STATEMENT OF POLICY.—Congress encourages each local educational agency (as defined in section 9101(26) of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 7801(26))) that receives Federal funds

under the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.) to develop a policy to reduce the incidence of school bus idling at schools while picking up and unloading students.

(b) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Administrator of the Environmental Protection Agency, working in coordination with the Secretary of Education, $5,000,000 for each of fiscal years 2008 through 2012 for use in educating States and local education agencies about—

(1) benefits of reducing school bus idling; and

(2) ways in which school bus idling may be reduced.

SEC. 203. FUEL EFFICIENCY FOR HEAVY DUTY TRUCKS.

Part C of subtitle VI of title 49, United States Code, is amended by inserting after chapter 329 the following:

"CHAPTER 330—HEAVY DUTY VEHICLE FUEL ECONOMY STANDARDS

"§ 33001. Purpose and policy

"The purpose of this chapter is to reduce petroleum consumption by heavy duty motor vehicles.

"§ 33002. Definition

''In this chapter, the term 'heavy duty motor vehicle'—

''(1) means a vehicle having a gross vehicle weight rating of at least 10,000 pounds that is driven or drawn by mechanical power and manufactured primarily for use on public streets, roads, and highways; and

''(2) does not include a vehicle operated only on a rail line.

"§ 33003. Testing and assessment

''(a) GENERAL REQUIREMENTS.—The Administrator of the Environmental Protection Agency (referred to in this section as the 'Administrator') shall develop and coordinate a national testing and assessment program to—

''(1) determine the fuel economy of heavy duty vehicles; and

''(2) assess the fuel efficiency attainable through available technology.

''(b) TESTING.—The Administrator shall—

''(1) design a National testing program to assess the fuel economy of heavy duty vehicles (based on the program for light duty vehicles); and

''(2) implement the program described in paragraph (1) not later than 18 months after the date of enactment of this chapter.

''(c) ASSESSMENT.—The Administrator shall consult with the Secretary of Transportation on the assessment of available technologies to enhance the fuel efficiency of heavy duty vehicles to ensure that vehicle use and needs are considered appropriately in the assessment.

''(d) REPORTING.—The Administrator shall—

''(1) not later than 2 years after the date of enactment of this chapter, submit a report to Congress regarding the results of the assessment of available technologies to improve the fuel efficiency of heavy duty vehicles.

''(2) submit a report to Congress, at least biannually, that addresses the fuel economy of heavy duty vehicles; and

"§ 33004. Standards

''(a) GENERAL REQUIREMENTS.—Not later than 18 months after completing the testing and assessments under section 33003, the Secretary of Transportation shall prescribe average heavy duty vehicle fuel economy standards. Each standard shall be the maximum feasible average fuel economy level that the Secretary decides that manufacturers can achieve in that model year. The Secretary may prescribe separate standards for different classes of heavy duty motor vehicles. The standards for

each model year shall be completed not later than 18 months before the beginning of each model year.

''(b) CONSIDERATIONS AND CONSULTATION.—In determining maximum feasible average fuel economy, the Secretary shall consider—

''(1) relevant available heavy duty motor vehicle fuel consumption information;

''(2) technological feasibility;

''(3) economic practicability;

''(4) the desirability of reducing United States dependence on oil;

''(5) the effects of average fuel economy standards on vehicle safety;

''(6) the effects of average fuel economy standards on levels of employment and competitiveness of manufacturers; and

''(7) the extent to which the standard will carry out the purpose described in section 33001.

''(c) COOPERATION.—The Secretary may advise, assist, and cooperate with departments, agencies, and instrumentalities of the United States Government, States, and other public and private agencies in developing fuel economy standards for heavy duty motor vehicles.

''(d) EFFECTIVE DATES OF STANDARDS.—The Secretary shall specify the effective date and model years of

each heavy duty motor vehicle fuel economy standard prescribed under this chapter.

''(e) 5-Year Plan for Testing Standards.—The Secretary shall establish, periodically review, and continually update a 5-year plan for testing heavy duty motor vehicle fuel economy standards prescribed under this chapter. In developing and establishing testing priorities, the Secretary shall consider factors the Secretary considers appropriate, consistent with the purpose described in section 33001 and the Secretary's other duties and powers under this chapter.

''§ 33005. Authorization of appropriations

''There are authorized to be appropriated, for each of fiscal years 2008 through 2012, such sums as may be necessary to carry out this chapter.''.

SEC. 204. LIGHTWEIGHT MATERIALS RESEARCH AND DEVELOPMENT.

(a) IN GENERAL.—As soon as practicable after the date of enactment of this Act, the Secretary of Energy shall establish a research and development program to determine ways in which—

(1) the weight of vehicles may be reduced to improve fuel efficiency without compromising passenger safety; and

(2) the cost of lightweight materials (such as steel alloys and carbon fibers) required for the construction of lighter-weight vehicles may be reduced.

(b) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $50,000,000 for each of fiscal years 2008 through 2012.

SEC. 205. HYBRID AND ADVANCED DIESEL VEHICLES.

(a) HYBRID VEHICLES.—The Energy Policy Act of 2005 is amended by striking section 711 (42 U.S.C. 16061) and inserting the following:

"SEC. 711. HYBRID VEHICLES.

''(a) DEFINITIONS.—In this section:

''(1) COST.—The term 'cost' has the meaning given the term 'cost of a loan guarantee' within the meaning of section 502(5)(C) of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a(5)(C)).

''(2) ELIGIBLE PROJECT.—The term 'eligible project' means a project to—

''(A) improve hybrid technologies under subsection (b); or

''(B) encourage domestic production of efficient hybrid and advanced diesel vehicles under section 712(a).

''(3) GUARANTEE.—

''(A) IN GENERAL.—The term 'guarantee' has the meaning given the term 'loan guarantee' in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a).

''(B) INCLUSION.—The term 'guarantee' includes a loan guarantee commitment (as defined in section 502 of the Federal Credit Reform Act of 1990 (2 U.S.C. 661a)).

''(4) HYBRID TECHNOLOGY.—The term 'hybrid technology' means a battery or other rechargeable energy storage system, power electronic, hybrid systems integration, and any other technology for use in hybrid vehicles, including plug-in hybrid vehicles and their components.

''(5) OBLIGATION.—The term 'obligation' means the loan or other debt obligation that is guaranteed under this section.

''(b) AUTHORIZATION.—The Secretary shall accelerate efforts directed toward the improvement of hybrid technologies, including through the provision of loan guarantees under subsection (c).

''(c) LOAN GUARANTEES.—

''(1) IN GENERAL.—The Secretary shall make guarantees under this section for eligible projects on such terms and conditions as the Secretary, in con-

sultation with the Secretary of the Treasury, determines to be appropriate.

''(2) SPECIFIC APPROPRIATION OR CONTRIBUTION.—No guarantee shall be made unless—

''(A) an appropriation for the cost has been made; or

''(B) the Secretary has received from the borrower a payment in full for the cost of the obligation and deposited the payment into the Treasury.

''(3) AMOUNT.—Unless otherwise provided by law, a guarantee by the Secretary shall not exceed an amount equal to 80 percent of the project cost of the hybrid technology that is the subject of the guarantee, as estimated at the time at which the guarantee is issued.

''(4) REPAYMENT.—

''(A) IN GENERAL.—No guarantee shall be made unless the Secretary determines that there is a reasonable prospect of repayment of the principal and interest on the obligation by the borrower.

''(B) AMOUNT.—No guarantee shall be made unless the Secretary determines that the amount of the obligation (when combined with

amounts available to the borrower from other sources) will be sufficient to carry out the project.

"(C) SUBORDINATION.—The obligation shall be subject to the condition that the obligation is not subordinate to other financing.

"(5) INTEREST RATE.—An obligation shall bear interest at a rate that does not exceed a level that the Secretary determines appropriate, taking into account the prevailing rate of interest in the private sector for similar loans and risks.

"(6) TERM.—The term of an obligation shall require full repayment over a period not to exceed the lesser of—

"(A) 30 years; or

"(B) 90 percent of the projected useful life of the physical asset to be financed by the obligation (as determined by the Secretary).

"(7) DEFAULTS.—

"(A) PAYMENT BY SECRETARY.—

"(i) IN GENERAL.—If a borrower defaults on the obligation (as defined in regulations promulgated by the Secretary and specified in the guarantee contract), the holder of the guarantee shall have the

right to demand payment of the unpaid amount from the Secretary.

''(ii) PAYMENT REQUIRED.—Within such period as may be specified in the guarantee or related agreements, the Secretary shall pay to the holder of the guarantee the unpaid interest on, and unpaid principal of the obligation as to which the borrower has defaulted, unless the Secretary finds that—

''(I) there was no default by the borrower in the payment of interest or principal; or

''(II) the default has been remedied.

''(iii) FORBEARANCE.—Nothing in this subsection precludes any forbearance by the holder of the obligation for the benefit of the borrower that may be agreed upon by the parties to the obligation and approved by the Secretary.

''(B) SUBROGATION.—

''(i) IN GENERAL.—If the Secretary makes a payment under subparagraph (A), the Secretary shall be subrogated to the

rights of the recipient of the payment as specified in the guarantee or related agreements including, where appropriate, the authority (notwithstanding any other provision of law) to—

"(I) complete, maintain, operate, lease, or otherwise dispose of any property acquired pursuant to the guarantee or related agreements; or

"(II) permit the borrower, pursuant to an agreement with the Secretary, to continue to pursue the purposes of the eligible project, as the Secretary determines to be in the public interest.

"(ii) SUPERIORITY OF RIGHTS.—The rights of the Secretary, with respect to any property acquired pursuant to a guarantee or related agreement, shall be superior to the rights of any other person with respect to the property.

"(iii) TERMS AND CONDITIONS.—A guarantee agreement shall include such detailed terms and conditions as the Secretary determines appropriate to—

"(I) protect the interests of the United States in the case of default; and

"(II) have available all the patents and technology necessary for any person selected, including the Secretary, to complete and operate the eligible project.

"(C) PAYMENT OF PRINCIPAL AND INTEREST BY SECRETARY.—With respect to any obligation guaranteed under this section, the Secretary may enter into a contract to pay, and pay, holders of the obligation, for and on behalf of the borrower, from funds appropriated for that purpose, the principal and interest payments that become due and payable on the unpaid balance of the obligation if the Secretary finds that—

"(i)(I) the borrower is unable to meet the payments and is not in default;

"(II) it is in the public interest to permit the borrower to continue to pursue the purposes of the eligible project; and

"(III) the probable net benefit to the Federal Government in paying the prin-

cipal and interest will be greater than the benefit that would result in the event of a default;

''(ii) the amount of the payment that the Secretary is authorized to pay will be no greater than the amount of principal and interest that the borrower is obligated to pay under the agreement being guaranteed; and

''(iii) the borrower agrees to reimburse the Secretary for the payment (including interest) on terms and conditions that are satisfactory to the Secretary.

''(D) ACTION BY ATTORNEY GENERAL.—

''(i) NOTIFICATION.—If the borrower defaults on an obligation, the Secretary shall notify the Attorney General of the default.

''(ii) RECOVERY.—On receipt of notification, the Attorney General shall take such action as the Attorney General determines to be appropriate to recover the unpaid principal and interest due from—

"(I) such assets of the defaulting borrower as are associated with the obligation; or

"(II) any other security pledged to secure the obligation.

"(8) FEES.—

"(A) IN GENERAL.—The Secretary shall charge and collect fees for guarantees in amounts the Secretary determines are sufficient to cover applicable administrative expenses.

"(B) AVAILABILITY.—Fees collected under this paragraph shall—

"(i) be deposited by the Secretary into the Treasury; and

"(ii) remain available until expended, subject to such other conditions as are contained in annual appropriations Acts.

"(9) RECORDS; AUDITS.—

"(A) IN GENERAL.—A recipient of a guarantee shall keep such records and other pertinent documents as the Secretary shall prescribe by regulation, including such records as the Secretary may require to facilitate an effective audit.

''(B) ACCESS.—The Secretary and the Comptroller General of the United States, or their duly authorized representatives, shall have access, for the purpose of audit, to the records and other pertinent documents.

''(10) FULL FAITH AND CREDIT.—The full faith and credit of the United States is pledged to the payment of all guarantees issued under this section with respect to principal and interest.

''(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to provide the cost of guarantees under this section.''.

(b) EFFICIENT HYBRID AND ADVANCED DIESEL VEHICLES.—Section 712(a) of the Energy Policy Act of 2005 (42 U.S.C. 16062(a)) is amended in the second sentence by striking ''grants to automobile manufacturers'' and inserting ''grants and the provision of loan guarantees under section 711(c) to automobile manufacturers and suppliers''.

SEC. 206. ADVANCED TECHNOLOGY MOTOR VEHICLES MANUFACTURING CREDIT.

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 of the Internal Revenue Code of

1986 (relating to foreign tax credit, etc.) is amended by adding at the end the following new section:

"SEC. 30D. ADVANCED TECHNOLOGY MOTOR VEHICLES MANUFACTURING CREDIT.

"(a) CREDIT ALLOWED.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

"(1) in the case of a qualified investment of an eligible taxpayer for such taxable year relating to plug-in hybrid electric vehicles or pure electric vehicles, 50 percent of so much of such qualified investment as does not exceed $150,000,000, and

"(2) in the case of any other qualified investment of an eligible taxpayer for such taxable year, 35 percent of so much of such qualified investment as does not exceed $50,000,000.

"(b) QUALIFIED INVESTMENT.—For purposes of this section—

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

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

''(B) for engineering integration of such vehicles and components as described in subsection (d), and

''(C) for research and development related to advanced technology motor vehicles and eligible components.

''(2) ATTRIBUTION RULES.—In the event a facility of the eligible taxpayer produces both advanced technology motor vehicles and conventional motor vehicles, or eligible and non-eligible components, only the qualified investment attributable to production of advanced technology motor vehicles and eligible components shall be taken into account.

''(c) ADVANCED TECHNOLOGY MOTOR VEHICLES AND ELIGIBLE COMPONENTS.—For purposes of this section—

''(1) ADVANCED TECHNOLOGY MOTOR VEHICLE.—The term 'advanced technology motor vehicle' means—

''(A) any new advanced lean burn technology motor vehicle (as defined in section 30B(c)(3)),

''(B) any new qualified hybrid motor vehicle (as defined in section 30B(d)(3)(A) and de-

termined without regard to any gross vehicle weight rating), or

''(C) any new plug-in hybrid electric vehicle.

''(2) PLUG-IN HYBRID ELECTRIC VEHICLE.—For purposes of this section, the term 'plug-in hybrid electric vehicle' means a light-duty, medium-duty, or heavy-duty on-road or nonroad vehicle that is propelled by an internal combustion engine or heat engine and/or an electric motor and energy storage system using (or capable of using)—

''(A) any combustible fuel,

''(B) an on-board, rechargeable storage device, and

''(C) a means of using an off-board source of electricity to operate the vehicle in intermittent or continuous all-electric mode.

''(3) ELIGIBLE COMPONENTS.—The term 'eligible component' means any component inherent to any advanced technology motor vehicle, including—

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

''(i) electric motor or generator,

''(ii) power split device,

''(iii) power control unit,

"(iv) power controls,

"(v) integrated starter generator, or

"(vi) battery,

"(B) with respect to any hydraulic new qualified hybrid motor vehicle—

"(i) hydraulic accumulator vessel,

"(ii) hydraulic pump, or

"(iii) hydraulic pump-motor assembly,

"(C) with respect to any new advanced lean burn technology motor vehicle—

"(i) diesel engine,

"(ii) turbocharger,

"(iii) fuel injection system, or

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

"(D) with respect to any advanced technology motor vehicle, any other component submitted for approval by the Secretary.

"(d) ENGINEERING INTEGRATION COSTS.—For purposes of subsection (b)(1)(B), costs for engineering integration are costs incurred prior to the market introduction of advanced technology vehicles for engineering tasks related to—

"(1) establishing functional, structural, and performance requirements for component and sub-

systems to meet overall vehicle objectives for a specific application,

''(2) designing interfaces for components and subsystems with mating systems within a specific vehicle application,

''(3) designing cost effective, efficient, and reliable manufacturing processes to produce components and subsystems for a specific vehicle application, and

''(4) validating functionality and performance of components and subsystems for a specific vehicle application.

''(e) ELIGIBLE TAXPAYER.—For purposes of this section, the term 'eligible taxpayer' means any taxpayer if more than 50 percent of its gross receipts for the taxable year is derived from the manufacture of motor vehicles or any component parts of such vehicles.

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

''(1) the sum of—

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

''(B) the tax imposed by section 55 for such taxable year and any prior taxable year

beginning after 1986 and not taken into account under section 53 for any prior taxable year, over

''(2) the sum of the credits allowable under subpart A and sections 27, 30, and 30B for the taxable year.

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

''(h) NO DOUBLE BENEFIT.—

''(1) COORDINATION WITH OTHER DEDUCTIONS AND CREDITS.—Except as provided in paragraph (2), the amount of any deduction or other credit allowable under this chapter for any cost taken into account in determining the amount of the credit under subsection (a) shall be reduced by the amount of such credit attributable to such cost.

''(2) RESEARCH AND DEVELOPMENT COSTS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), any amount described in subsection (b)(1)(C) taken into account in determining the amount of the credit under sub-

section (a) for any taxable year shall not be taken into account for purposes of determining the credit under section 41 for such taxable year.

''(B) COSTS TAKEN INTO ACCOUNT IN DETERMINING BASE PERIOD RESEARCH EXPENSES.—Any amounts described in subsection (b)(1)(C) taken into account in determining the amount of the credit under subsection (a) for any taxable year which are qualified research expenses (within the meaning of section 41(b)) shall be taken into account in determining base period research expenses for purposes of applying section 41 to subsequent taxable years.

''(i) BUSINESS CARRYOVERS ALLOWED.—If the credit allowable under subsection (a) for a taxable year exceeds the limitation under subsection (f) for such taxable year, such excess (to the extent of the credit allowable with respect to property subject to the allowance for depreciation) shall be allowed as a credit carryback and carryforward under rules similar to the rules of section 39.

''(j) SPECIAL RULES.—For purposes of this section, rules similar to the rules of paragraphs (4) and (5) of section 179A(e) and paragraphs (1) and (2) of section 41(f) shall apply

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

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

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

(b) CONFORMING AMENDMENTS.—

(1) Section 1016(a) of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of paragraph (36), by striking the period at the end of paragraph (37) and inserting '', and'', and by adding at the end the following new paragraph:

''(38) to the extent provided in section 30D(g).''.

(2) Section 6501(m) of such Code is amended by inserting ''30D(k),'' after ''30C(e)(5),''.

(3) The table of sections for subpart B of part IV of subchapter A of chapter 1 of such Code is amended by inserting after the item relating to section 30C the following new item:

''Sec. 30D. Advanced technology motor vehicles manufacturing credit.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts incurred in taxable years beginning after December 31, 2006.

SEC. 207. CONSUMER INCENTIVES TO PURCHASE ADVANCED TECHNOLOGY VEHICLES.

(a) FLEXIBLE FUEL VEHICLE CREDIT.—

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

"SEC. 30E. FLEXIBLE FUEL VEHICLE CREDIT.

''(a) ALLOWANCE OF CREDIT.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the GEM flexible fuel vehicle credit.

''(b) GEM FLEXIBLE FUEL VEHICLE CREDIT.—

''(1) IN GENERAL.—For the purposes of subsection (a), the GEM flexible fuel vehicle credit determined under this subsection for the taxable year is the credit amount determined under paragraph (2) with respect to a GEM flexible fuel vehicle placed in service by the taxpayer during the taxable year.

''(2) CREDIT AMOUNT.—In the case of a new qualified GEM flexible fuel vehicle which is a passenger automobile or light truck and which has a gross vehicle weight rating of not more than 8,500 pounds, the amount shall be $300.

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

''(1) GEM FLEXIBLE FUEL VEHICLE.—The term 'GEM flexible fuel vehicle' means a motor vehicle warrantied by its manufacturer to operate on any combination of gasoline, E85, and M85.

''(2) E85.—The term 'E85' means a fuel blend containing 85 percent ethanol and 15 percent gasoline by volume.

''(3) M85.—The term 'M85' means a fuel blend containing 85 percent methanol and 15 percent gasoline by volume.

''(d) TERMINATION.—This section shall not apply to taxable years beginning after December 31, 2010.''.

(2) CLERICAL AMENDMENT.—The table of sections for subpart B of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to foreign tax credit, etc.), as amended by this Act, is amended by adding at the end the following new item:

''Sec. 30E. Flexible fuel vehicle credit.''.

(b) ELIMINATION ON NUMBER OF NEW QUALIFIED HYBRID AND ADVANCED LEAN BURN TECHNOLOGY VEHICLES ELIGIBLE FOR ALTERNATIVE MOTOR VEHICLE CREDIT.—

(1) IN GENERAL.—Section 30B of the Internal Revenue Code of 1986 is amended by striking subsection (f) and by redesignating subsections (g) through (j) as subsections (f) through (i), respectively.

(2) CONFORMING AMENDMENTS.—

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

(B) Section 38(b)(25) of such Code is amended by striking ''section 30B(g)(1)'' and inserting ''section 30B(f)(1)''.

(C) Section 55(c)(2) of such Code is amended by striking ''section 30B(g)(2)'' and inserting ''section 30B(f)(2)''.

(D) Section 1016(a)(36) of such Code is amended by striking ''section 30B(h)(4)'' and inserting ''section 30B(g)(4)''.

(E) Section 6501(m) of such Code is amended by striking ''section 30B(h)(9)'' and inserting ''section 30B(g)(9)''.

(c) EXTENSION OF ALTERNATIVE VEHICLE CREDIT FOR NEW QUALIFIED HYBRID MOTOR VEHICLES.—Paragraph (3) of section 30B(i) of the Internal Revenue Code of 1986 (as redesignated by subsection (a)) is amended by striking ''December 31, 2009'' and inserting ''December 31, 2010''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2006, in taxable years ending after such date.

SEC. 208. FEDERAL FLEET REQUIREMENTS.

(a) REGULATIONS.—

(1) IN GENERAL.—The Secretary of Energy shall issue regulations for Federal fleets subject to the Energy Policy Act of 1992 (42 U.S.C. 13201 et seq.) requiring that not later than fiscal year 2015 each Federal agency achieve at least a 20 percent reduction in petroleum consumption, as calculated from the baseline established by the Secretary for fiscal year 1999.

(2) REQUIREMENT.—Not later than fiscal year 2011, of the Federal vehicles required to be alter-

native fueled vehicles under title V of the Energy Policy Act of 1992 (42 U.S.C. 13251 et seq.), at least 30 percent shall be flexible fuel hybrid motor vehicles or flexible fuel plug-in hybrid motor vehicles.

(3) EXCEPTION.—The regulations issued under this subsection shall not apply to ground vehicles of the Department of Defense whose primary purpose is combat or the support of troops in combat operations.

(b) INCLUSION OF ELECTRIC DRIVE IN ENERGY POLICY ACT OF 1992.—Section 508(a) of the Energy Policy Act of 1992 (42 U.S.C. 13258(a)) is amended—

(1) by inserting ''(1)'' before ''The Secretary''; and

(2) by adding at the end the following:

''(2) Not later than January 31, 2008, the Secretary shall—

''(A) allocate credit in an amount to be determined by the Secretary for—

''(i) acquisition of—

''(I) a light-duty hybrid electric vehicle;

''(II) a plug-in hybrid electric vehicle;

''(III) a fuel cell electric vehicle;

"(IV) a medium- or heavy-duty hybrid electric vehicle;

"(V) a neighborhood electric vehicle; or

"(VI) a medium- or heavy-duty dedicated vehicle; and

"(ii) investment in qualified alternative fuel infrastructure or nonroad equipment, as determined by the Secretary; and

"(B) allocate more than 1, but not to exceed 5, credits for investment in an emerging technology relating to any vehicle described in subparagraph (A) to encourage—

"(i) a reduction in petroleum demand;

"(ii) technological advancement; and

"(iii) environmental safety.".

(c) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section (including the amendments made by subsection (b)) $10,000,000 for the period of fiscal years 2008 through 2012.

SEC. 209. TAX INCENTIVES FOR PRIVATE FLEETS.

(a) IN GENERAL.—Subpart E of part IV of subchapter A of chapter 1 of the Internal Revenue Code of

1986 is amended by inserting after section 48B the following new section:

"SEC. 48C. FUEL-EFFICIENT FLEET CREDIT.

''(a) GENERAL RULE.—For purposes of section 46, the fuel-efficient fleet credit for any taxable year is 15 percent of the qualified fuel-efficient vehicle investment amount of an eligible taxpayer for such taxable year.

''(b) VEHICLE PURCHASE REQUIREMENT.—In the case of any eligible taxpayer which places less than 10 qualified fuel-efficient vehicles in service during the taxable year, the qualified fuel-efficient vehicle investment amount shall be zero.

''(c) QUALIFIED FUEL-EFFICIENT VEHICLE INVESTMENT AMOUNT.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified fuel-efficient vehicle investment amount' means the basis of any qualified fuel-efficient vehicle placed in service by an eligible taxpayer during the taxable year.

''(2) QUALIFIED FUEL-EFFICIENT VEHICLE.—The term 'qualified fuel-efficient vehicle' means an automobile which has a fuel economy which is at least 10 percent greater than the average fuel economy standard for an automobile of the same class and model year.

''(3) OTHER TERMS.—The terms 'automobile', 'average fuel economy standard', 'fuel economy', and 'model year' have the meanings given to such terms under section 32901 of title 49, United States Code.

''(d) ELIGIBLE TAXPAYER.—The term 'eligible taxpayer' means, with respect to any taxable year, a taxpayer who owns a fleet of 100 or more vehicles which are used in the trade or business of the taxpayer on the first day of such taxable year.

''(e) TERMINATION.—This section shall not apply to any vehicle placed in service after December 31, 2010.''.

(b) CREDIT TREATED AS PART OF INVESTMENT CREDIT.—Section 46 of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of paragraph (3), by striking the period at the end of paragraph (4) and inserting '', and'', and by adding at the end the following new paragraph:

''(5) the fuel-efficient fleet credit.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 49(a)(1)(C) of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by adding at the end the following new clause:

"(v) the basis of any qualified fuel-efficient vehicle which is taken into account under section 48C.".

(2) The table of sections for subpart E of part IV of subchapter A of chapter 1 of such Code is amended by inserting after the item relating to section 48 the following new item:

"Sec. 48C. Fuel-efficient fleet credit.".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to periods after December 31, 2006, in taxable years ending after such date, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

SEC. 210. REDUCING INCENTIVES TO GUZZLE GAS.

(a) INCLUSION OF HEAVY VEHICLES IN LIMITATION ON DEPRECIATION OF CERTAIN LUXURY AUTOMOBILES.—

(1) IN GENERAL.—Section 280F(d)(5)(A) of the Internal Revenue Code of 1986 (defining passenger automobile) is amended—

(A) by striking clause (ii) and inserting the following new clause:

''(ii)(I) which is rated at 6,000 pounds unloaded gross vehicle weight or less, or

''(II) which is rated at more than 6,000 pounds but not more than 14,000 pounds gross vehicle weight.'', and

(B) by striking ''clause (ii)'' in the second sentence and inserting ''clause (ii)(I)''.

(2) EXCEPTION FOR VEHICLES USED IN FARMING BUSINESS.—Section 280F(d)(5)(B) of such Code (relating to exception for certain vehicles) is amended by striking ''and'' at the end of clause (ii), by redesignating clause (iii) as clause (iv), and by inserting after clause (ii) the following new clause:

''(iii) any vehicle used in a farming business (as defined in section 263A(e)(4), and''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to property placed in service after the date of the enactment of this Act.

(b) UPDATED DEPRECIATION DEDUCTION LIMITS.—

(1) IN GENERAL.—Subparagraph (A) of section 280F(a)(1) of the Internal Revenue Code of 1986 (relating to limitation on amount of depreciation for luxury automobiles) is amended to read as follows:

''(I) LIMITATION.—The amount of the depreciation deduction for any taxable year shall not exceed for any passenger automobile—

''(i) for the 1st taxable year in the recovery period—

''(I) described in subsection (d)(5)(A)(ii)(I), $4,000,

''(II) described in the second sentence of subsection (d)(5)(A), $5,000, and

''(III) described in subsection (d)(5)(A)(ii)(II), $6,000,

''(ii) for the 2nd taxable year in the recovery period—

''(I) described in subsection (d)(5)(A)(ii)(I), $6,400,

''(II) described in the second sentence of subsection (d)(5)(A), $8,000, and

''(III) described in subsection (d)(5)(A)(ii)(II), $9,600,

''(iii) for the 3rd taxable year in the recovery period—

''(I) described in subsection (d)(5)(A)(ii)(I), $3,850,

"(II) described in the second sentence of subsection (d)(5)(A), $4,800, and

"(III) described in subsection (d)(5)(A)(ii)(II), $5,775, and

"(iv) for each succeeding taxable year in the recovery period—

"(I) described in subsection (d)(5)(A)(ii)(I), $2,325,

"(II) described in the second sentence of subsection (d)(5)(A), $2,900, and

"(III) described in subsection (d)(5)(A)(ii)(II), $3,475.".

(2) YEARS AFTER RECOVERY PERIOD.—Section 280F(a)(1)(B)(ii) of such Code is amended to read as follows:

"(ii) LIMITATION.—The amount treated as an expense under clause (i) for any taxable year shall not exceed for any passenger automobile—

"(I) described in subsection (d)(5)(A)(ii)(I), $2,325,

"(II) described in the second sentence of subsection (d)(5)(A), $2,900, and

"(III) described in subsection (d)(5)(A)(ii)(II), $3,475.".

(3) INFLATION ADJUSTMENT.—Section 280F(d)(7) of such Code (relating to automobile price inflation adjustment) is amended—

(A) by striking "after 1988" in subparagraph (A) and inserting "after 2006", and

(B) by striking subparagraph (B) and inserting the following new subparagraph:

"(B) AUTOMOBILE PRICE INFLATION ADJUSTMENT.—For purposes of this paragraph—

"(i) IN GENERAL.—The automobile price inflation adjustment for any calendar year is the percentage (if any) by which—

"(I) the average wage index for the preceding calendar year, exceeds

"(II) the average wage index for 2005.

"(ii) AVERAGE WAGE INDEX.—The term 'average wage index' means the average wage index published by the Social Security Administration.".

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to property placed in service after the date of the enactment of this Act.

(c) EXPENSING LIMITATION FOR FARM VEHICLES.—

(1) IN GENERAL.—Paragraph (6) of section 179(b) of the Internal Revenue Code of 1986 (relating to limitations) is amended to read as follows:

''(6) LIMITATION ON COST TAKEN INTO ACCOUNT FOR FARM VEHICLES.—The cost of any vehicle described in section 280F(d)(5)(B)(iii) for any taxable year which may be taken into account under this section shall not exceed $30,000.''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to property placed in service after the date of the enactment of this Act.

SEC. 211. FUEL CHOICE FOR TRANSPORTATION.

(a) DEFINITIONS.—In this section:

(1) ALTERNATIVE FUEL; ALTERNATIVE FUEL AUTOMOBILE.—The terms ''alternative fuel'' and ''alternative fuel automobile'' have the meanings given such terms in section 32901 of title 49, United States Code.

(2) E85.—The term ''E85'' means a fuel blend containing 85 percent ethanol and 15 percent gasoline by volume.

(3) M85.—The term ''M85'' means a fuel blend containing 85 percent methanol and 15 percent gasoline by volume.

(4) FLEXIBLE FUEL VEHICLE.—The term ''flexible fuel vehicle'' means a motor vehicle warranted by its manufacturer to operate on any and all blends of gasoline, E85, and M85.

(5) FUEL CHOICE-ENABLING MOTOR VEHICLE.—The term ''fuel choice-enabling motor vehicle'' means—

(A) a flexible fuel motor vehicle; or

(B) a vehicle warranted by its manufacturer to operate on biodiesel.

(6) LIGHT-DUTY MOTOR VEHICLE.—The term ''light-duty motor vehicle'' means, as defined in regulations promulgated by the Administrator of the Environmental Protection Agency in effect on the date of enactment of this Act—

(A) a light-duty truck; or

(B) a light-duty vehicle.

(b) FUEL CHOICE FOR TRANSPORTATION.—

(1) RULEMAKING.—Not later than 1 year after the date of enactment of this Act, the Secretary of Transportation shall issue regulations to carry out the provisions of this subsection.

(2) SCHEDULE.—Not less than 50 percent of each light-duty motor vehicles manufacturer's annual production of passenger cars manufactured on and after January 1, 2012, and before January 1, 2013, and no less than 80 percent of each manufacturer's production of passenger cars manufactured on and after January 1, 2013 shall be fuel choice enabling motor vehicles or alternative fuel automobiles.

(3) TEMPORARY EXEMPTION FROM REQUIREMENTS.—Upon application by a manufacturer, in such manner and containing such information as the Secretary shall prescribe in the regulations promulgated under this section, the Secretary may at any time, under such terms and conditions and to such extent as the Secretary deems appropriate, temporarily exempt or renew the exemption of a motor vehicle from the requirements of subsection (b) if the Secretary finds that there has been a disruption in the supply of any component required for compliance with the regulations, or a disruption in the use and installation by the manufacturer of such component due to unavoidable events not under the control of the manufacturer, that will prevent a manufacturer from meeting its anticipated production volume of

vehicles that meet the requirements of this subsection. Each application for such exemption must be filed by the manufacturer affected, and must specify the models, lines, and types of vehicles actually affected, although the Secretary may consolidate applications of a similar nature of 1 or more manufacturers. Any exemption or renewal shall be conditioned upon the manufacturer's commitment to recall the exempted vehicles for installation of omitted components within a reasonable time proposed by the manufacturer and approved by the Secretary after such components become available in sufficient quantities to satisfy both anticipated production and recall volume requirements. Notice of each application shall be published in the Federal Register and notice of each decision to grant or deny a temporary exemption, and the reasons for granting or denying it, shall be published in the Federal Register. The Secretary shall require labeling for each exempted motor vehicle which can only be removed after recall and installation of the required components. If a vehicle is delivered without the fuel choice capability required in this section, the Secretary shall require that written notification of the exemption be delivered to the dealer and first purchasers for purposes

other than resale of such exempted motor vehicle in such a manner, and containing such information, as the Secretary deems appropriate.

SEC. 212. FLEXIBLE FUEL VEHICLE ECONOMY CALCULATIONS.

(a) IN GENERAL.—Section 32905 of title 49, United States Code, is amended—

(1) in subsections (b) and (d)—

(A) by amending paragraph (1) of each subsection to read as follows:

''(1) the number determined by—

''(A) subtracting from 1.0 the alternative fuel use factor for the model; and

''(B) dividing the difference calculated under subparagraph (A) by the fuel economy measured under section 32904(c) when operating the model on gasoline or diesel fuel; and''; and

(B) by amending paragraph (2) of each subsection to read as follows:

''(2) the number determined by dividing the alternative fuel use factor for the model by the fuel economy measured under subsection (a) when operating the model on alternative fuel.''; and

(2) by adding at the end the following:

''(h) DETERMINATION OF ALTERNATIVE FUEL USE FACTOR.—

''(1) For purposes of subsections (b) and (d), the term 'alternative fuel use factor' means, for a model of automobile, the factor determined by the Administrator under this subsection.

''(2) At the beginning of each calendar year, the Secretary of Transportation shall estimate, by model, the aggregate amount of fuel and the aggregate amount of alternative fuel used to operate all dual fuel automobiles during the most recent 12-month period.

''(3) The Administrator shall determine, by regulation, the alternative fuel use factor for each model of dual fuel automobile as the fraction that represents, on an energy equivalent basis, the ratio that the amount of alternative fuel determined under paragraph (2) bears to the amount of fuel determined under paragraph (2).''.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 2008.

(c) APPLICABILITY OF EXISTING STANDARDS.—The amendments made by this section shall not affect the application of section 32901 of title 49, United States Code, to automobiles manufactured before model year 2008.

TITLE III—FUEL CHOICES FOR THE 21ST CENTURY

SEC. 301. FUEL CHOICE ACTION PLAN.

(a) ACTION PLAN.—Not later than 1 year after the date of enactment of this Act, the Secretary of Energy shall transmit to the Congress an action plan detailing specific plans to ensure that—

(1) not later than December 31, 2015, not less than 10 percent of the Nation's total ground transportation fuel demand can be supplied by fuels derived from sources other than oil; and

(2) not later than December 31, 2025, not less than 20 percent of the Nation's total ground transportation fuel demand can be supplied by fuels derived from sources other than oil.

(b) FUELS.—The action plan may include plans for the use of fuels such as ethanol (derived from agricultural products, cellulosic bioproducts, or waste products), methanol, alternative diesel fuels, hydrogen, and electricity. The plan shall seek to the fullest extent practicable to meet the following goals:

(1) Not less than 50 percent of the fuels will be derived from renewable resources.

(2) Not less than 50 percent of the fuels shall be produced from domestic resources.

(c) RENEWABLE CONTENT IN TRANSPORTATION FUELS.—Section 211(o) of the Clean Air Act (42 U.S.C. 7545(o)) is amended—

(1) in paragraph (2)(B)—

(A) in clause (i)—

(i) by striking ''2012'' and inserting ''2015'' in the heading;

(ii) by striking ''2012'' and inserting ''2015''; and

(iii) by amending the table to read as follows:

"Calendar year	Applicable volume of renewable fuel (in billions of gallons)
2006	4.0
2007	4.7
2008	5.4
2009	6.1
2010	6.8
2011	8.0
2012	9.0
2013	11.0
2014	13.0
2015	15.0'';

(B) in clause (ii)—

(i) by striking ''2013'' and inserting ''2016'' in the heading;

(ii) by striking ''2013'' and inserting ''2016''; and

(iii) by striking ''2012'' and inserting ''2015'';

(C) in clause (iii), by striking ''2013'' and inserting ''2016''; and

(D) in clause (iv)—

(i) by striking ''2013'' and inserting ''2016''; and

(ii) by striking ''2012'' and inserting ''2015'';

(2) in paragraph (3)(A), by striking ''2011'' and inserting ''2014'';

(3) in paragraph (3)(B)(i), by striking ''2012'' and inserting ''2015''; and

(4) in paragraph (6)(A), by striking ''2012'' and inserting ''2015''.

SEC. 302. ETHANOL ACTION PLAN.

The Secretary of Energy shall complete an action plan to be delivered to Congress not later than 1 year after the date of enactment of this Act detailing specific plans to achieve a nationwide inclusion of not less than 10 percent ethanol in the ground transportation fuel supply by December 31, 2015. The plan shall seek to the fullest extent practicable to require that not less than 75 percent of the total ethanol content be produced from renewable, domestic resources.

SEC. 303. FUEL NEUTRALITY FOR ALTERNATIVE FUEL VEHICLE REFUELING PROPERTY CREDIT.

(a) ELIGIBILITY FOR INFRASTRUCTURE CREDIT.—Section 30C(c)(1) of the Internal Revenue Code of 1986 is amended to read as follows:

''(1) IN GENERAL.—Except as provided in paragraph (2), the term 'qualified alternative fuel vehicle refueling property' has the meaning given to such term by section 179A(d), but only with respect to any alternative fuel (as defined in section 301 of the Energy Policy Act of 1992 (42 U.S.C. 13211) including Section 1346 of the Energy Policy Act of 2005).''.

(b) DURATION OF INFRASTRUCTURE CREDIT.—Section 30C(g) such Code is amended to read as follows:

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

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2008.

SEC. 304. ALTERNATIVE FUEL VEHICLE REFUELING PROPERTY.

(a) INCREASE IN CREDIT.—

(1) IN GENERAL.—Subsection (a) of section 30C of the Internal Revenue Code of 1986 is

amended by striking ''30 percent'' and inserting ''50 percent''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to property placed in service after December 31, 2006, in taxable years ending after such date.

(b) ALTERNATIVE FUEL RETAIL OUTLETS.—

(1) OWNER OR LESSOR.—For purposes of this subsection, the term ''owner or lessor'' means—

(A) a franchisor who owns, leases, or controls a retail gasoline outlet at which the franchisee is authorized or permitted, under the franchise agreement, to sell alternative fuel; and

(B) a refiner or distributor who owns, leases, or controls a retail gasoline outlet.

(2) REQUIREMENT.—Beginning in the year in which 10 percent or more of the registered vehicles in a county are capable of using a designated alternative fuel, each owner or lessor of a retail gasoline outlet with 10 or more vehicle fuel pumps in that county shall offer such designated alternative fuel at not less than 10 percent of such pumps.

(3) COMPLIANCE.—An owner or lessor is in compliance with the requirement under paragraph (2) if the owner or lessor—

(A) provides alternative fuel at vehicle pumps owned or controlled by the owner or lessor; or

(B) purchases credits from another owner or lessor who operates more than the minimum required number of alternative fuel pumps.

(4) PROJECTIONS.—Not later than July 1st of each year, the Secretary of Energy shall—

(A) identify the counties in which at least 10 percent of the registered vehicles are expected to be capable of using a designated alternative fuel within the following 18-month period; and

(B) notify owners and lessors with retail gasoline outlets in the counties identified under subparagraph (A) of the alternative fuel pump requirement under this subsection.

(5) RULEMAKING.—The Secretary of Energy shall issue regulations to carry out the provisions of this subsection.

SEC. 305. USE OF CAFÉ PENALTIES TO BUILD ALTERNATIVE FUELING INFRASTRUCTURE.

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

''(e) ALTERNATIVE FUELING INFRASTRUCTURE TRUST FUND.—(1) There is established in the Treasury of the United States a trust fund, to be known as the Alternative Fueling Infrastructure Trust Fund, consisting of such amounts as are deposited into the Trust Fund under paragraph (2) and any interest earned on investment of amounts in the Trust Fund.

''(2) The Secretary of Transportation shall remit 90 percent of the amount collected in civil penalties under this section to the Trust Fund.

''(3) The Secretary of Energy may obligate such sums as are available in the Trust Fund for the Clean Cities grant program to increase the number of locations at which consumers may purchase fuel containing ethanol, biodiesel, and other alternative fuels.''.

SEC. 306. CELLULOSIC BIOMASS FUEL.

Section 211(o)(2)(B)(iii) of the Clean Air Act (42 U.S.C. 7545(o)(2)(B)(iii)) is amended to read as follows:

''(iii) MINIMUM QUANTITY DERIVED FROM CELLULOSIC BIOMASS.—

''(I) CALENDAR YEARS 2008 THROUGH 2015.—For each of calendar years 2008 through 2015, the applicable volume referred to in clause (ii) shall contain a minimum number of

gallons that are derived from cellulosic biomass determined in accordance with the following table:

"Calendar year:	Applicable minimum number of gallons derived from cellulosic biomass (in millions of gallons):
2008	30.0
2009	45.0
2010	75.0
2011	120.0
2012	180.0
2013	250.0
2014	500.0
2015	1,000.0.

"(II) CALENDAR YEAR 2016 AND THEREAFTER.—For calendar year 2016 and each calendar year thereafter, the applicable volume referred to in clause (ii) shall contain a minimum number of gallons that are derived from cellulosic biomass this is equal to the product obtained by multiplying—

"(aa) the applicable volume referred to in clause (ii) for the calendar year; and

"(bb) the ratio that 1,000,000,000 gallons of cellulosic biomass bears to the applicable volume referred to in

clause (ii) for calendar year 2015.

''(III) RATIO.—For calendar year 2008 and each calendar year thereafter, the 2.5-to-1 ratio referred to in paragraph (4) shall not apply.''.

SEC. 307. PRODUCTION INCENTIVES FOR CELLULOSIC BIOFUELS.

Section 942(f) of the Energy Policy Act of 2005 (42 U.S.C. 16251(f)) is amended by striking ''$250,000,000'' and inserting ''$200,000,000 for each of fiscal years 2007 through 2011''.

SEC. 308. TRANSIT-ORIENTED DEVELOPMENT CORRIDORS.

(a) DEFINITIONS.—In this section:

(1) TRANSIT-ORIENTED DEVELOPMENT CORRIDOR.—The term ''Transit-Oriented Development Corridor'' or ''TODC'' means a geographic area designated by the Secretary under subsection (b).

(2) OTHER TERMS.—The terms ''fixed guide way'', ''local governmental authority'', ''mass transportation'', ''Secretary'', ''State'', and ''urbanized area'' have the meanings given the terms in section 5302 of title 49, United States Code.

(b) TRANSIT-ORIENTED DEVELOPMENT CORRIDORS.—

(1) IN GENERAL.—The Secretary shall develop and carry out a program to designate geographic areas in urbanized areas as Transit-Oriented Development Corridors.

(2) CRITERIA.—An area designated as a TODC under paragraph (1) shall include rights-of-way for fixed guide way mass transportation facilities (including commercial development of facilities that have a physical and functional connection with each facility).

(3) NUMBER OF TODCS.—In consultation with State transportation departments and metropolitan planning organizations, the Secretary shall designate—

(A) not fewer than 10 TODCs by December 31, 2015; and

(B) not fewer than 20 TODCs by December 31, 2025.

(4) TRANSIT GRANTS.—

(A) IN GENERAL.—The Secretary make grants to eligible states and local governmental authorities to pay the Federal share of the cost of designating geographic areas in urbanized areas as TODCs.

(B) APPLICATION.—Each eligible State or local governmental authority that desires to receive a grant under this paragraph shall submit an application to the Secretary, at such time, in such manner, and accompanied by such additional information as the Secretary may reasonably require.

(C) LABOR STANDARDS.—Subchapter IV of chapter 31 of title 40, United States Code shall apply to projects that receive funding under this section.

(D) FEDERAL SHARE.—The Federal share of the cost of a project under this subsection shall be 50 percent.

(c) TODC RESEARCH AND DEVELOPMENT.—To support effective deployment of grants and incentives under this section, the Secretary shall establish a TODC research and development program to conduct research on the best practices and performance criteria for TODCs.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $50,000,000 for each of fiscal years 2008 through 2012.

SEC. 309. SAVING OIL BY REDUCING MILES-OF-TRAVEL: PILOT PROJECTS.

(a) IN GENERAL.—The Secretary of Transportation (in this section referred to as the ''Secretary'') shall develop and implement pilot projects the purpose of which is to reduce vehicle miles traveled.

(b) HIGHWAY CONGESTION TOLLING EVALUATION STUDY.—The Secretary shall carry out evaluation projects in no less than 6 metropolitan areas selected by the Secretary to determine how technology can best be applied to assess mileage-based road user charges on major highways at peak-commuting times for the purposes of—

(1) reducing oil usage;

(2) lessening highway congestion; and

(3) expanding travel alternatives.

(c) PARKING CASH-OUT EVALUATION PROJECT.—

(1) IN GENERAL.—The Secretary shall carry out a national evaluation pilot project to assess how offering commuters the option to receive the cash value of their workplace parking place, if any, instead of free parking can—

(A) reduce oil usage;

(B) lessen highway congestion; and

(C) expand travel alternatives.

(2) EMPLOYER REQUIREMENT.—Under the evaluation pilot project, any employer that is partici-

pating in the pilot project and offers free-of-charge commuter parking to the employees of the employer must also offer a cashout alternative to employees.

(d) REPORT.—The Secretary shall submit to Congress every 2 years after the date of the enactment of this Act a report on the progress and results of pilot projects under this section. The report shall provide an analysis and summary of project implementation, changes in oil usage and travel demand, and other matters as deemed appropriate by the Secretary.

(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out subsection (b) $4,000,000, and to carry out subsection (c) $4,000,000, for each of fiscal years 2008 through 2016.

SEC. 310. SAVING OIL BY REDUCING VEHICLE-MILES-OF-TRAVEL: RESEARCH AND DEVELOPMENT.

(a) IN GENERAL.—The Secretary of Transportation shall establish a new research program the purpose of which is to investigate the oil-savings potential and feasibility of programs which convert fixed costs of driving to variable costs.

(b) RESEARCH PROGRAM.—The program's research shall include studies of the potential and feasibility of—

(1) varying vehicle registration fees based on vehicle-miles of travel;

(2) varying vehicle lease fees based on vehicle-miles of travel;

(3) varying vehicle rental rates based on vehicle-miles of travel; and

(4) other such costs which could be linked to vehicle-miles of travel in order to provide incentives to reduce driving.

(c) REPORT.—The Secretary shall submit to Congress and publish on the Department of Transportation web site at least one research product per year.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $2,000,000 for each of fiscal years 2008 through 2017.

SEC. 311. BIOFUELS.

(a) ENERGY POLICY ACT OF 2005 AMENDMENTS.—The Energy Policy Act of 2005 is amended—

(1) in section 208(c)(2)(A) by striking ''be limited to sugar producers and the production of ethanol in the States of Florida, Louisiana, Texas, and Hawaii, divided equally among the States,'';

(2) in section 932(a)(1)(C)(ii) by striking '', but not including municipal solid waste, gas derived from the biodegradation of municipal solid waste, or paper that is commonly recycled'';

(3) in section 946(c)(1) by striking ''ethanol'' and inserting ''transportation fuel produced from biomass'';

(4) in section 1510(b) by striking ''fuel ethanol'' and inserting ''transportation fuel produced from biomass,'' and

(5) in section 1514(c)(1)(A) by striking ''biomass ethanol'' and inserting ''transportation fuel produced from biomass''.

(b) INTERNAL REVENUE CODE OF 1986 AMENDMENT.—

(1) AMENDMENT.—Section 30C(c)(1)(A) of the Internal Revenue Code of 1986 is amended by striking ''one or more of the following: ethanol, natural gas, compressed natural gas, liquefied natural gas, liquefied petroleum gas, or hydrogen'' and inserting ''an alternative fuel (as defined in section 301 of the Energy Policy Act of 1992 (42 U.S.C. 13211)), including section 1346 of the Energy Policy Act of 2005''.

(2) EFFECT.—The amendment made by paragraph (1) shall take effect as if enacted by section 1342 of the Energy Policy Act of 2005.

(c) CLEAN AIR ACT AMENDMENTS.—The Clean Air Act is amended—

(1) in section 212 (42 U.S.C. 7546)—

(A) by adding at the end of subsection (a) the following new paragraph:

''(4) BIOFUEL.—The term 'biofuel' means any transportation fuel produced from biomass.''; and

(B) by striking ''ethanol'' each place it appears and inserting ''biofuel''; and

(2) in section 211(r) (42 U.S.C. 7545(r)) by striking ''ethanol'' each place it appears and inserting ''biofuel''.

TITLE IV—ELECTRICITY FOR TRANSPORTATION

SEC. 401. NEAR-TERM VEHICLE TECHNOLOGY PROGRAM.

(a) PURPOSES.—The purposes of this section are to enhance the energy security of the United States, reduce dependence on imported oil, improve the energy efficiency of the transportation sector, and reduce emissions through the expansion of grid supported mobility, through programs to—

(1) develop, in partnership with industry, research institutions, National Laboratories, and institutions of higher education, projects to foster—

(A) the commercialization of electric drive vehicle technology for various sizes and applications of vehicles, including commercialization of

plug-in hybrid electric vehicles and plug-in hybrid fuel cell vehicles;

(B) growth in employment in the United States in electric drive design and manufacturing of components and vehicles;

(C) validation of the potential for plug-in hybrid vehicles through fleet demonstrations and data collection; and

(D) acceleration of fuel cell commercialization through comprehensive development and commercialization of the electric drive technology systems that are the foundational technology of the fuel cell vehicle system;

(2) make critical public investments to help private industry, institutions of higher education, National Laboratories, and research institutions to expand innovation, industrial growth, and jobs in the United States through the development, demonstration, and commercialization of a wide range of electric drive components, systems, and vehicles using diverse electric drive transportation technologies;

(3) optimize the availability of the existing electric infrastructure for use in fueling light duty transportation and other on-road and nonroad vehicles in lieu of vehicles and equipment that use petro-

leum, including the more than 3,000,000 reported units (such as electric forklifts, golf carts, and similar nonroad vehicles) in use on the date of enactment of this Act; and

(4) develop advanced communication, metering and charging technologies necessary for the integration of electric drive transportation technology into the smart grid of the future.

(b) DEFINITIONS.—In this section:

(1) ADMINISTRATOR.—The term ''Administrator'' means the Administrator of the Environmental Protection Agency.

(2) BATTERY.—The term ''battery'' means an electrochemical energy storage device used in an on-road or nonroad vehicle powered in whole or in part using an off-board or on-board source of electricity.

(3) ELECTRIC DRIVE TRANSPORTATION TECHNOLOGY.—The term ''electric drive transportation technology'' means—

(A) vehicles that use an electric motor for all or part of their motive power and that may or may not use off-board electricity, including battery electric vehicles, fuel cell vehicles, engine dominant hybrid electric vehicles, plug-in

hybrid electric vehicles, plug-in hybrid fuel cell vehicles, and electric rail; or

(B) equipment relating to transportation or mobile sources of air pollution that use an electric motor to replace an internal combustion engine for all or part of the work of the equipment, including corded electric equipment linked to transportation or mobile sources of air pollution, and electrification technologies at airports, ports, truck stops, and material handling facilities.

(4) ENGINE DOMINANT HYBRID ELECTRIC VEHICLE.—The term ''engine dominant hybrid electric vehicle'' means an on-road or nonroad vehicle that—

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

(i) any combustible fuel;

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

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

(5) FUEL CELL VEHICLE.—The term ''fuel cell vehicle'' means an on-road or nonroad vehicle that uses a fuel cell (as defined in section 3 of the Spark

M. Matsunaga Hydrogen Research, Development, and Demonstration Act of 1990).

(6) INSTITUTION OF HIGHER EDUCATION.—The term ''institution of higher education'' has the meaning given the term in section 2 of the Energy Policy Act of 2005 (42 U.S.C. 15801).

(7) NONROAD VEHICLE.—The term ''nonroad vehicle'' means a vehicle that is powered by a nonroad engine, as that term is defined in section 216 of the Clean Air Act (42 U.S.C. 7550), or fully or partially by an electric motor powered by a fuel cell, a battery, or an off-board source of electricity and that is not a motor vehicle or a vehicle used solely for competition.

(8) PLUG-IN HYBRID ELECTRIC VEHICLE.—The term ''plug-in hybrid electric vehicle'' means a light-duty, medium-duty, or heavy-duty on-road or nonroad vehicle that is propelled by an internal combustion engine or heat engine and/or an electric motor and energy storage system using—

(A) any combustible fuel;

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

(C) a means of using an off-board source of electricity to operate the vehicle in intermittent or continuous all-electric mode.

(9) PLUG-IN HYBRID FUEL CELL VEHICLE.—The term ''plug-in hybrid fuel cell vehicle'' means a fuel cell vehicle with an on-board, rechargeable storage device powered by an off-board source of electricity.

(10) SECRETARY.—The term ''Secretary'' means the Secretary of Energy.

(c) ELECTRIC DRIVE TRANSPORTATION PROGRAM.—

(1) RESEARCH AND DEVELOPMENT.—The Secretary shall conduct a program of research, development, demonstration, and commercial application for electric drive transportation technology, including—

(A) high capacity, high efficiency batteries that have improved battery life, energy storage capacity and power delivery capacity when compared to technology that is in commercial service;

(B) high efficiency on-board and off-board charging components;

(C) high power and energy efficient drive train systems for passenger and commercial vehicles and for nonroad vehicles;

(D) control system development and power train development and integration for plug-in hybrid electric vehicles, plug-in hybrid fuel cell vehicles, and engine dominant hybrid electric vehicles, including—

(i) development of efficient cooling systems;

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

(iii) development of different control systems that optimize for different goals, including battery life, reduction of petroleum consumption, and greenhouse gas reduction;

(E) nanomaterial technology applied to both battery and fuel cell systems; and

(F) smart vehicle and grid interconnection devices and software that enable communications between the grid of the future and electric drive vehicles

(2) MARKET ASSESSMENT AND ELECTRICITY USAGE.—The Secretary, in consultation with the Ad-

ministrator and with industry, shall implement a program to—

(A) understand and inventory existing electric drive technologies and markets;

(B) identify and implement methods of removing barriers for existing and emerging applications of electric drive transportation technologies;

(C) work with utilities to develop low-cost, simple methods of utilizing off-peak electricity or managing any on-peak electricity use;

(D) develop systems and processes to enable plug-in hybrid vehicles to enhance the availability of emergency back-up power for consumers and study and demonstrate the potential value to the grid to utilize the energy stored in the on-board storage systems to improve the efficiency and reliability of the grid generation system; and

(E) work with utilities and other interested stakeholders to study and demonstration the linkages and implications of the introduction of plug-in hybrids and other types of electric transportation and the production of electricity from renewable resources.

(3) GRANTS TO ENCOURAGE OFF-PEAK ELECTRICITY USAGE.—The Secretary shall award grants to partially fund public and private electric utility programs and technologies that encourage owners of electric drive transportation technologies to use off-peak electricity or have the load managed by the utility.

(4) PLUG-IN HYBRID ELECTRIC VEHICLE AND ELECTRIC DRIVE TRANSPORTATION TESTING AND CERTIFICATION.—

(A) IN GENERAL.—For purposes of enabling the introduction of plug-in hybrid electric vehicles and electric drive transportation technology into commercial use, the Secretary shall develop, in collaboration with industry and in consultation with the Administrator, a program to test the emissions of criteria pollutants, energy use and the petroleum reduction potential of light-, medium-, and heavy-duty plug-in hybrid electric vehicles and other forms of electric drive transportation in both actual driving and test conditions. The Secretary shall also cooperate with the Administrator in the development of the program described in subparagraph (B) to establish certification standards for light-,

medium- and heavy-duty plug-in hybrid electric vehicles.

(B) TESTING PROGRAM.—The testing program shall consider the results of prior testing activities of the public and private sectors, and shall utilize the capabilities of the Department of Energy's Field Operations Program and Qualified Vehicle Testing Sites. Test procedures shall include consideration of—

(i) the vehicle and fuel as a system, not just an engine;

(ii) nightly off-board charging; and

(iii) different engine-turn on speed control strategies.

(C) CERTIFICATION PROGRAM.—Within 6 months of the date of enactment of this section, the Administrator shall develop a task force including vehicle manufacturers, environmental organizations, utilities, fleet operators, research organizations and representatives of Federal agencies, including the Department of Transportation and the Department of Energy, to consider the establishment of minimum certification standards for plug-in hybrid electric vehicles.

(D) DUTIES.—The task force established under subparagraph (C) shall—

(i) identify critical path issues in the establishment of a certification protocol;

(ii) identify criteria for the establishment of a plug-in hybrid certification protocol that would be applicable to various plug-in hybrid vehicle technologies and applications and vehicle control strategies;

(iii) evaluate test data available from hybrid vehicle test programs and fuel economy analysis;

(iv) work with the Administrator to develop guidelines to permit the emissions reductions attributable to the use of plug-in hybrid vehicles to be recognized for purposes of State Implementation Plans; and

(iv) recommend a certification protocol for certifying the emissions, fuel economy and petroleum usage of plug-in hybrid vehicles.

(E) PUBLIC COMMENT.—Within 18 months of the date of enactment of this section, the Administrator shall publish the rec-

ommended certification protocol for public comment.

(F) FINAL PROTOCOL.—Not later than two years after the date of enactment of this section, the Administrator shall publish a final certification protocol for plug-in hybrid vehicles.

(5) CITY CARS.—Not later than 1 year after the date of enactment of this section, the Secretary, in consultation with the Secretary of Transportation, shall study and report to Congress on the benefits, including petroleum savings, of and barriers to the widespread deployment of a potentially new class of vehicles known as city cars with performance capability that exceeds that of low speed vehicles but is less than that of passenger vehicles, and which may be battery electric, fuel cell electric, or plug-in hybrid electric vehicles. Such study shall examine and recommend appropriate safety requirements for such vehicles based on patterns of usage.

(d) PLUG-IN HYBRID ELECTRIC VEHICLE DEMONSTRATION PROGRAM.—

(1) ESTABLISHMENT.—The Secretary shall establish a competitive demonstration program to provide grants on a cost-shared basis to State governments, local governments, metropolitan transpor-

tation authorities, air pollution control districts, private or nonprofit entities or combinations thereof, to carry out a project or projects for demonstration of plug-in hybrid electric vehicles

(2) ADMINISTRATION.—The Secretary shall establish requirements for applications for grants under this section. The Secretary shall require, at a minimum, that applicants describe how data will be collected and summarized for dissemination to the Department, other grantees and the public, on—

(A) vehicle and component performance, including performance of the battery, energy management, and charging systems, under various driving speeds, trip ranges, traffic and other driving conditions;

(B) vehicle and component costs, including acquisition, operating and maintenance costs;

(C) vehicle emissions, including emissions of greenhouse gases; and

(D) petroleum displacement as a result of the project.

(3) SOLICITATION.—Not later than 180 days after the date of enactment of this section, the Secretary shall solicit proposals to demonstrate plug-in hybrid electric vehicles. Thereafter, the Secretary

shall make annual solicitations for proposals to carry out this section.

(4) SELECTION CRITERIA.—

(A) PRIORITY.—When making awards under this subsection, the Secretary shall consider each applicant's previous experience involving plug-in hybrid electric vehicles and shall give priority consideration to applications that—

(i) demonstrate a path to commercialization for the vehicles demonstrated;

(ii) demonstrate technologies that optimize the performance of the vehicle in terms of miles per gallon and emission reduction in urban and suburban environments; or

(iii) are likely to make a significant contribution to the advancement of the technology and production in the United States.

(B) SCOPE OF DEMONSTRATIONS.—When making awards under this subsection, the Secretary shall ensure that the program will—

(i) demonstrate the operation of plug-in hybrid vehicles under various driving

speeds, trip ranges, driving conditions, climate conditions and topography conditions;

(ii) demonstrate light-, medium- and heavy-duty vehicles with a variety of battery and engine-turn-on control systems;

(iii) demonstrate plug-in hybrid vehicles in a variety of applications including military applications, mass market passenger and light-duty truck applications, and fleet applications;

(iv) demonstrate vehicles from original equipment manufacturers, Tier One suppliers, or other entities capable of achieving commercialization of the technology; and

(v) provide an opportunity for innovation and creativity from small and breakthrough technology companies.

(5) OTHER REQUIREMENTS.—

(A) CONTINUING ELIGIBILITY.—An applicant that has received a grant in one year may apply for additional funds in subsequent years, but the Secretary shall not provide more than an aggregate of $20,000,000 in Federal assist-

ance under the program to any applicant for fiscal years 2008 through 2013.

(B) INFORMATION.—The Secretary shall establish mechanisms to ensure that nonproprietary information, test data, specifications, and knowledge gained by participants in the program are shared among the program participants and available to other interested parties, including other applicants.

(e) EDUCATION PROGRAM.—The Secretary shall develop a nationwide education strategy for electric drive transportation technologies providing secondary and high school teaching materials and support for education offered by institutions of higher education that is focused on electric drive system and component engineering, including—

(1) the Plug-In Hybrid Electric Vehicle competition for institutions of higher education to be named in honor of the pioneering work of Dr. Andrew Frank; and

(2) a program to award funds to institutions of higher education to create or support degree programs to ensure the availability of trained electrical and mechanical engineers with the skills necessary

for the advancement of plug-in hybrid electric vehicles and other forms of electric-drive transportation.

(f) NEAR-TERM ELECTRIC TRANSPORTATION DEPLOYMENT PROGRAM.—

(1) IN GENERAL.—Not later than 1 year after the date of enactment of this section, after consultation with the Secretary and the Secretary of Transportation, the Administrator shall establish a program of grants and loans to deploy qualified electric transportation that can reduce petroleum use, greenhouse gas emissions and criteria pollutants by 40 percent or more when compared to commercially available, nonelectric technologies.

(2) DEFINITION.—For purposes of this subsection, the term ''qualified electric transportation project'' includes ship-to-shore electrification, truck stop electrification, electric truck refrigeration units; electric airport ground support equipment, electric material handing equipment, electric or dual mode electric freight rail, and associated infrastructure, including, but not limited to, panel upgrades, battery chargers, and trenching.

(3) GRANTS.—Two thirds of the funds made available by the Administrator for grants to qualified electric transportation projects shall be allocated

competitively based on the overall cost-effectiveness of the project in reducing emissions of criteria pollutants, emissions of greenhouse gases, and petroleum usage. One-third of the grant funds made available shall be awarded to projects as applications are received as long as the projects meet the minimum standard for the reduction of 40 percent in emissions of criteria pollutants, emissions of greenhouse gases and petroleum usage. Large scale projects and large scale aggregators of projects are encouraged.

(4) LOANS.—The Administrator shall establish a revolving loan program to provide loans for qualified electric transportation projects. Of funds appropriated to carry out the purposes of this subsection, amounts not utilized for grants under paragraph (3) shall be used to fund the loan program. The Administrator shall establish criteria for loans under this paragraph.

(g) TRANSITION TO FUEL AND TECHNOLOGY NEUTRAL REGULATIONS.—

(1) FINDINGS.—

(A) Congress finds that in light of advances in automotive engine technologies since the passage of the Clean Air Act, it is necessary

to modify the control of mobile source emissions pursuant to the Clean Air Act to establish fuel and technology neutral mobile source emissions control programs.

(B) Congress finds that replacement of current emissions control requirements with a market-based program that encourages the use of the most fuel efficient and environmentally benign vehicles will provide opportunities for all vehicle types, including vehicles with spark-ignited engines, compression-ignited engines, other engine types, dual fueled vehicles, flexible fuel vehicles, fuel cell electric vehicles, battery electric vehicles, plug-in hybrid electric vehicles, corded electric vehicle equipment and other electric propulsion technologies.

(2) REPORTS.—Within 1 year of the date of enactment of this section, the Administrator shall report to Congress on all of the fuel and technology-specific definitions in Federal environmental law and regulations and recommend how such definitions might be changed to be fuel and technology neutral. Within 18 months of the date of enactment of this section, the Administrator shall report to Congress on how petroleum reductions, emissions reductions,

and reductions in full fuel cycle criteria pollutants could be incorporated into the fuel and technology neutral emissions reduction program required under paragraph (3).

(3) RULEMAKING.—After providing the report required under paragraph (2), the Administrator shall, within 2 years of the date of enactment of this section, adopt final rules to implement a fuel and technology neutral program to reduce tailpipe and evaporative emissions of criteria pollutants from mobile sources. Such program shall take effect not later than 10 years after the date of enactment of this section.

(4) DEFINITION.—For purposes of this subsection, ''fuel and technology neutral mobile source emissions control programs'' means programs that contain minimum standards for emissions of criteria pollutants from mobile sources and a credit-based compliance mechanism for manufacturers that includes averaging, banking and trading of credits for exceeding the minimum standard.

(h) COST SHARING.—Notwithstanding section 988(c) of the Energy Policy Act of 2005 (42 U.S.C. 16352), the Secretary shall reduce to 30 percent the non-Federal cost

share required from local and municipal governments participating in the programs authorized in this section.

(i) MERIT REVIEW.—Notwithstanding section 989 of the Energy Policy Act of 2005 (42 U.S.C. 16353), not more than 30 percent of the total funding awarded under this section shall be directly awarded to National Laboratories, not more than 10 percent of the total funding awarded under this section shall be awarded, directly or indirectly, to projects for the development. or demonstration of fuel cell vehicles or plug-in hybrid fuel cell vehicles, not more than 30 percent of the total funding awarded under subsection (f) shall be awarded, directly or indirectly, to ship-to-shore-electrification projects, and not more than 5 percent of the total funding awarded under this section shall be awarded, directly or indirectly, to projects for the development or demonstration of electric rail or magnetic levitation trains.

(j) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out the programs under subsections (c) and (e) $110,000,000 for each of fiscal years 2008 through 2013. There are authorized to be appropriated to carry out the program under subsection (d) $60,000,000 for each of fiscal years 2008 through 2012, of which $20,000,000 shall be available only for award to local and municipal governments. There

are authorized to be appropriated to carry out the programs under subsections (f) and (g) $125,000,000 for each of fiscal years 2008 through 2013.

SEC. 402. AMENDMENTS TO ALTERNATIVE MOTOR VEHICLE CREDIT.

(a) 2002 MODEL YEAR CITY FUEL ECONOMY.—Section 30B(c)(2)(A)(ii) of Subpart B of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended to read as follows:

> ''(ii) 2002 MODEL YEAR CITY FUEL ECONOMY.—For purposes of this section, the 2002 model year city fuel economy with respect to a vehicle shall be determined on a gasoline equivalent basis as determined by the Administrator of the Environmental Protection Agency using the tables provided in subsection (b)(2)(B) with respect to such vehicle, except that for purposes of subsection (d)(2)(A)(i) city fuel economy must not include fuel economy increases resulting from off-vehicle sources of electricity.''.

(b) NEW QUALIFIED HYBRID MOTOR VEHICLE CREDIT.—Section 30B(d) of Subpart B of Part IV of sub-

chapter A of chapter 1 of the Internal Revenue Code of 1986 is amended to read as follows:

''(d) NEW QUALIFIED HYBRID MOTOR VEHICLE CREDIT.—

''(1) IN GENERAL.—For purposes of subsection (a), the new qualified hybrid motor vehicle credit determined under this subsection for the taxable year is the credit amount determined under paragraph (2) with respect to a new qualified hybrid motor vehicle placed in service by the taxpayer during the taxable year.

''(2) CREDIT AMOUNT.—

''(A) CREDIT AMOUNT FOR PASSENGER AUTOMOBILES AND LIGHT TRUCKS.—

''(i) in the case of a new qualified hybrid motor vehicle which is a passenger automobile or light truck and which has a gross vehicle weight rating of not more than 8,500 pounds, the amount determined under this paragraph is the sum of the amounts determined under clauses (ii), (iii), and (iv).

''(ii) FUEL ECONOMY.—The amount determined under this clause is the amount which would be determined under sub-

section (c)(2)(A) if such vehicle were a vehicle referred to in such subsection.

''(iii) CONSERVATION CREDIT.—The amount determined under this clause is the amount which would be determined under subsection (c)(2)(B) if such vehicle were a vehicle referred to in such subsection.

''(iv) INCREASE FOR BATTERY-POWERED RANGE FROM OFF-VEHICLE ELECTRICITY.—The amount determined under this clause in 2009 to 2015 as follows:

''(I) $800 if such vehicle uses a 4 kWh traction battery.

''(II) $1200 if such vehicle uses a 5 kWh traction battery.

''(III) $1600 if such vehicle uses a 6 kWh traction battery.

''(IV) $2000 if such vehicle uses a 7 kWh traction battery.

''(V) $2400 if such vehicle uses a 8 kWh traction battery.

''(VI) $2800 if such vehicle uses a 9 kWh traction battery.

''(VII) $3000 if such vehicle uses a 10 kWh traction battery.

"(VIII) $3200 if such vehicle uses a 11 kWh traction battery.

"(IX) $3400 if such vehicle uses a 12 kWh traction battery.

"(X) $3800 if such vehicle uses a 13 kWh traction battery.

"(XI) $4000 if such vehicle uses a 14 kWh traction battery.

"(XII) $4200 if such vehicle uses a 15 kWh traction battery.

"(B) CREDIT AMOUNT FOR OTHER MOTOR VEHICLES.—

"(i) IN GENERAL.—In the case of any new qualified hybrid motor vehicle to which subparagraph (A) does not apply, the amount determined under this paragraph is the amount equal to the applicable percentage of the qualified incremental hybrid cost of the vehicle as certified under clause (v).

"(ii) APPLICABLE PERCENTAGE.—For purposes of clause (i), the applicable percentage is—

"(I) 20 percent if the vehicle achieves an increase in city fuel econ-

omy relative to a comparable vehicle of at least 30 percent but less than 40 percent,

"(II) 30 percent if the vehicle achieves such an increase of at least 40 percent but less than 50 percent,

"(III) 40 percent if the vehicle achieves such an increase of at least 50 percent, and

"(IV) 40 percent for a plug-in hybrid electric vehicle that can use off-board electricity to recharge an energy storage device capable of ten (or greater) miles of all electric range.

More than 40 percent shall be granted if the all electric range is greater than 10 miles, as determined by the Administrator of the Environmental Protection Agency.

"(iii) QUALIFIED INCREMENTAL HYBRID COST.—For purposes of this subparagraph, the qualified incremental hybrid cost of any vehicle is equal to the amount of the excess of the manufacturer's suggested retail price for such vehicle over

such price for a comparable vehicle, to the extent such amount does not exceed—

"(I) $7,500, if such vehicle has a gross vehicle weight rating of not more than 14,000 pounds,

"(II) $15,000, if such vehicle has a gross vehicle weight rating of more than 14,000 pounds but not more than 26,000 pounds, and

"(III) $30,000, if such vehicle has a gross vehicle weight rating of more than 26,000 pounds.

"(iv) COMPARABLE VEHICLE.—For purposes of this subparagraph, the term 'comparable vehicle' means, with respect to any new qualified hybrid motor vehicle, any vehicle which is powered solely by a gasoline or diesel internal combustion engine and which is comparable in weight, size, and use to such vehicle.

"(v) CERTIFICATION.—A certification described in clause (i) shall be made by the manufacturer and shall be determined in accordance with guidance prescribed by the Secretary. Such guidance shall specify pro-

cedures and methods for calculating fuel economy savings and incremental hybrid costs.

''(3) NEW QUALIFIED HYBRID MOTOR VEHICLE.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'new qualified hybrid motor vehicle' means a motor vehicle—

''(i) which draws propulsion energy from onboard sources of stored energy which are both—

''(I) an internal combustion or heat engine using consumable fuel, and

''(II) a rechargeable energy storage system,

''(ii) which, in the case of a vehicle to which paragraph (2)(A) applies, has received a certificate of conformity under the Clean Air Act and meets or exceeds the equivalent qualifying California low emission vehicle standard under section 243(e)(2) of the Clean Air Act for that make and model year, and—

''(I) in the case of a vehicle having a gross vehicle weight rating of 6,000 pounds or less, the Bin 5 Tier II emission standard established in regulations prescribed by the Administrator of the Environmental Protection Agency under section 202(i) of the Clean Air Act for that make and model year vehicle, and

''(II) in the case of a vehicle having a gross vehicle weight rating of more than 6,000 pounds but not more than 8,500 pounds, the Bin 8 Tier II emission standard which is so established,

''(iii) which has a maximum available power of at least—

''(I) 4 percent in the case of a vehicle to which paragraph (2)(A) applies,

''(II) 10 percent in the case of a vehicle which has a gross vehicle weight rating of more than 8,500 pounds and not more than 14,000 pounds, and

"(III) 15 percent in the case of a vehicle in excess of 14,000 pounds,

"(iv) which, in the case of a vehicle to which paragraph (2)(B) applies, has an internal combustion or heat engine which has received a certificate of conformity under the Clean Air Act as meeting the emission standards set in the regulations prescribed by the Administrator of the Environmental Protection Agency for 2004 through 2007 model year diesel heavy duty engines or Otto cycle heavy duty engines, as applicable,

"(v) the original use of which commences with the taxpayer,

"(vi) which is acquired for use or lease by the taxpayer and not for resale, and

"(vii) which is made by a manufacturer.

"(viii) which includes plug-in hybrid electric vehicles for purposes of paragraphs (2)(A) and (2)(B).

Such term shall not include any vehicle which is not a passenger automobile or light truck if

such vehicle has a gross vehicle weight rating of less than 8,500 pounds.

''(B) CONSUMABLE FUEL.—For purposes of subparagraph (A)(i)(I), the term 'consumable fuel' means any solid, liquid, or gaseous matter which releases energy when consumed by an auxiliary power unit.

''(C) MAXIMUM AVAILABLE POWER.—

''(i) CERTAIN PASSENGER AUTOMOBILES AND LIGHT TRUCKS.—In the case of a vehicle to which paragraph (2)(A) applies, the term 'maximum available power' means the maximum power available from the rechargeable energy storage system, during a standard 10 second pulse power or equivalent test, divided by such maximum power and the SAE net power of the heat engine.

''(ii) OTHER MOTOR VEHICLES.—In the case of a vehicle to which paragraph (2)(B) applies, the term 'maximum available power' means the maximum power available from the rechargeable energy storage system, during a standard 10 second pulse power or equivalent test, divided

by the vehicle's total traction power. For purposes of the preceding sentence, the term 'total traction power' means the sum of the peak power from the rechargeable energy storage system and the heat engine peak power of the vehicle, except that if such storage system is the sole means by which the vehicle can be driven, the total traction power is the peak power of such storage system.

''(D) ALL ELECTRIC RANGE.—For purposes of paragraph (2)(B) the term 'all electric range' means miles traveled in a hybrid electric vehicle capable of using an off-vehicle source of electricity and tested using the Environmental Protection Agency's Federal Urban Driving Schedule or a new driving schedule for plug-in hybrid electric vehicles.

''(E) KWH TRACTION BATTERY.—For purposes of paragraph (2)(A)(iii) the term 'kWh traction battery' means the size of an electrochemical storage device as measured by from 100 percent state of charge to 0 percent state of charge as defined at [10 C.F.R. _____].

''(F) PLUG-IN HYBRID ELECTRIC VEHICLE.—For purposes of paragraphs (2)(A) and (2)(B), the term 'plug-in hybrid electric vehicle' means a light-duty, medium-duty, or heavy-duty on-road or vehicle that is propelled by an internal combustion engine or heat engine and/or an electric motor and energy storage system using:

''(i) any combustible fuel,

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

''(iii) a means of using an off-board source of electricity to operate the vehicle in intermittent or continuous all-electric mode.''.

(c) DRIVING SCHEDULE FOR PLUG-IN HYBRID ELECTRIC VEHICLES.—

(1) ESTABLISHMENT.—Not later than 18 months after the date of enactment of this section, the Administrator of the Environmental Protection Agency shall develop a driving schedule for plug-in hybrid electric vehicles based on a test that shall start with a full battery and end when the battery reaches 20 percent state of charge after intermittent use of the battery and electric motor for vehicle propulsion at speeds no greater than 35 miles per hour,

and which does not count vehicle miles traveled while the engine is operating.

(2) BONUS CREDITS.—Vehicles that can travel in all electric mode during a separate test of higher speed operation shall be entitled to bonus all electric range miles for purposes of the credit provided in Section 30B of the Internal Revenue Code of 1986, on a schedule to be established by rule by the Administrator.

(d) DURATION OF TAX CREDIT.—Section 30B(i) of the Internal Revenue Code of 1986, as amended by this Act, is amended to read as follows:

''(i) TERMINATION.—This section shall not apply to any property purchased after—

''(1) in the case of a new qualified fuel cell motor vehicle (as described in subsection (b)), December 31, 2014,

''(2) in the case of a new advanced lean burn technology motor vehicle (as described in subsection (c)) or a new qualified hybrid motor vehicle (as described in subsection (d)(2)(A)), December 31, 2010,

''(3) in the case of a new qualified hybrid motor vehicle (as described in subsection (d)(2)(B)), December 31, 2010,

''(4) in the case of a new qualified alternative fuel vehicle (as described in subsection (e)), December 31, 2010, and

''(5) in the case of a new qualified hybrid motor vehicle which is a plug-in hybrid electric vehicle range (as described in subsection (d)(2)(A) and (d)(2) (B), December 31, 2015.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect for property or vehicles placed in service after December 31, 2008.

SEC. 403. IDLING REDUCTION TAX CREDIT.

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

''SEC. 45O. IDLING REDUCTION CREDIT.

''(a) GENERAL RULE.—For purposes of section 38, the idling reduction tax credit determined under this section for the taxable year is an amount equal to 50 percent of the amount paid or incurred for the purchase and installation of each qualifying idling reduction device or qualifying idle reduction infrastructure placed in service by the taxpayer during the taxable year.

''(b) LIMITATION.—The maximum amount allowed as a credit under subsection (a) shall not exceed $3,500 per device or per qualifying infrastructure.

''(c) DEFINITIONS.—For purposes of subsection (a)—

''(1) QUALIFYING IDLING REDUCTION DEVICE.—The term 'qualifying idling reduction device' means any device or system of devices that—

''(A) is installed on a heavy-duty diesel-powered on-highway vehicle,

''(B) is designed to provide to such vehicle those services (such as heat, air conditioning, or electricity) that would otherwise require the operation of the main drive engine while the vehicle is temporarily parked or remains stationary using either—

''(i) an all electric unit such as a battery powered unit or from grid-supplied electricity, or

''(ii) a dual fuel unit powered by diesel or other fuels, and is capable of providing such services from grid-supplied electricity or on-truck batteries alone,

''(C) the original use of which commences with the taxpayer,

"(D) is acquired for use by the taxpayer and not for resale, and

"(E) is certified by the Secretary of Energy, in consultation with the Administrator of the Environmental Protection Agency and the Secretary of Transportation, to reduce long-duration idling of such vehicle at a motor vehicle rest stop or other location where such vehicles are temporarily parked or remain stationary.

"(2) HEAVY-DUTY DIESEL-POWERED ON-HIGHWAY VEHICLE.—The term 'heavy-duty diesel-powered on-highway vehicle' means any vehicle, machine, tractor, trailer, or semi-trailer propelled or drawn by mechanical power and used upon the highways in the transportation of passengers or property, or any combination thereof determined by the Federal Highway Administration.

"(3) LONG-DURATION IDLING.—The term 'long-duration idling' means the operation of a main drive engine, for a period greater than 15 consecutive minutes, where the main drive engine is not engaged in gear. Such term does not apply to routine stoppages associated with traffic movement or congestion.

''(4) QUALIFYING IDLE REDUCTION INFRASTRUCTURE.—The term 'qualifying idle reduction infrastructure' means either —

''(A) off-truck equipment to supply electric power, including electric receptacles, boxes, wiring, conduit, and other connections to one truck space, or

''(B) off-truck equipment that directly provides air conditioning, heating, electric power, and other connections and services to one truck space.

''(d) NO DOUBLE BENEFIT.—For purposes of this section—

''(1) REDUCTION IN BASIS.—If a credit is determined under this section with respect to any property by reason of expenditures described in subsection (a), the basis of such property shall be reduced by the amount of the credit so determined.

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

''(3) ELECTION NOT TO CLAIM CREDIT.—This section shall not apply to a taxpayer for any taxable

year if such taxpayer elects to have this section not apply for such taxable year.''.

(b) CREDIT TO BE PART OF GENERAL BUSINESS CREDIT.—Subsection (b) of section 38 of such Code (relating to general business credit) is amended by striking ''plus'' at the end of paragraph (30), by striking the period at the end of paragraph (31) and inserting '', plus'' , and by adding at the end the following new paragraph:

''(32) the idling reduction tax credit determined under section 45O(a).''.

(c) CONFORMING AMENDMENTS.—

(1) The table of sections for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by inserting after the item relating to section 45M the following new item:

''Sec. 45O. Idling reduction credit.''.

(2) Section 1016(a) of such Code, as amended by this Act, is amended by striking ''and'' at the end of paragraph (37), by striking the period at the end of paragraph (38) and inserting '', and'', and by adding at the end the following:

''(39) in the case of a facility with respect to which a credit was allowed under section 45O, to the extent provided in section 45O(d)(A).''.

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

(e) DETERMINATION OF CERTIFICATION STANDARDS BY SECRETARY OF ENERGY FOR CERTIFYING IDLING REDUCTION DEVICES.—Not later than 6 months after the date of the enactment of this section and in order to reduce air pollution and fuel consumption, the Secretary of Energy, in consultation with the Administrator of the Environmental Protection Agency and the Secretary of Transportation, shall publish the standards under which the Secretary, in consultation with the Administrator of the Environmental Protection Agency and the Secretary of Transportation, will, for purposes of section 45O of the Internal Revenue Code of 1986 (as added by this section), certify the idling reduction devices and qualifying infrastructure which will reduce long-duration idling of vehicles at motor vehicle rest stops or other locations where such vehicles are temporarily parked or remain stationary in order to reduce air pollution and fuel consumption.

SEC. 404. PLUG-IN HYBRID ELECTRIC VEHICLE PRIZE.

(a) IN GENERAL.—The Secretary of Energy (in this section referred to as the ''Secretary'') shall carry out a program to competitively award cash prizes to advance the

research, development, demonstration, and commercial application of plug-in hybrid electric vehicle technology.

(b) CATEGORIES.—The Secretary shall establish prizes for—

(1) batteries using nanotechnology for application in plug-in hybrid electric vehicles or in plug-in hybrid fuel cell vehicles;

(2) prototypes of plug-in hybrid electric vehicles that best meet or exceed objective performance criteria;

(3) demonstrations of prototypes of plug-in hybrid electric vehicles in medium duty, heavy-duty, nonroad vehicle or military applications that are designed to facilitate the eventual market success of plug-in hybrid electric vehicle technologies;

(4) advancements in plug-in hybrid electric vehicle technology for light-duty passenger vehicle applications that can significantly advance the petroleum reduction and environmental benefits or control system technology;

(5) advancements in plug-in hybrid electric vehicles technology for light-duty passenger applications to obtain at least 30 miles of continuous all electric range at highway speeds, to seat two or more passengers, to use four or more wheels, to

demonstrate zero to 60 mile per hour acceleration in 10 seconds or less, to meet Environmental Protection Agency criteria pollutant standards, and to be able to pass safety standards for passenger vehicles set by the National Highway Transportation Safety Administration; and

(6) other plug-in hybrid electric vehicle technology advances deemed necessary by the Secretary.

(c) ADVANCEMENTS.—Prizes authorized under this section shall be awarded to the most significant advance or advances that meet criteria established by the Secretary.

(d) ELIGIBILITY.—To be eligible to win a prize under this section, an individual or entity—

(1) shall have complied with all the requirements prescribed by the Secretary;

(2) in the case of a private entity, shall be incorporated in and maintain a primary place of business in the United States, and in the case of an individual, whether participating singly or in a group, shall be a citizen of, or an alien lawfully admitted for permanent residence in, the United States; and

(3) shall not be a Federal entity, a Federal employee acting within the scope of his employment, or

an employee of a National Laboratory acting within the scope of his employment.

(e) JUDGES.—The Secretary shall assemble a panel of qualified judges to select the winner or winners on the basis of the criteria established under subsection (c). Judges for each prize competition shall include individuals from outside the Department of Energy, including from the private sector. A judge may not—

(1) have personal or financial interests in, or be an employee, officer, director, or agent of, any entity that is a registered participant in the prize competition for which he or she will serve as a judge; or

(2) have a familial or financial relationship with an individual who is a registered participant in the prize competition for which he or she will serve as a judge.

(f) NONSUBSTITUTION.—The program created under this section shall not be considered a substitute for Federal research and development programs.

(g) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Secretary for carrying out this section $50,000,000 for each of the fiscal years 2008 through 2011, of which no more than $1,000,000 for any fiscal year may be used for adminis-

trative expenses. Funds appropriated pursuant to this subsection shall remain available until expended.

(h) SUNSET.—The authority to announce prize competitions under this section shall terminate on September 30, 2017.

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