

the energy independence and security of the United States by providing for exploration, development, and production activities for mineral resources in the Gulf of Mexico, and for other purposes; which was ordered to lie on the table.

SA 4705. Mr. HARKIN (for himself, Mr. LUGAR, and Mr. JOHNSON) submitted an amendment intended to be proposed by him to the bill S. 3711, supra; which was ordered to lie on the table.

SA 4706. Mr. BAYH (for himself, Mr. BROWNBACK, Mr. LIEBERMAN, Mr. COLEMAN, Mr. SALAZAR, Mr. LUGAR, Mr. OBAMA, Mr. CHAFFEE, Mr. AKAKA, Mrs. CLINTON, Ms. CANTWELL, Ms. COLLINS, Mr. KOHL, Mr. KERRY, Mr. KENNEDY, Mr. GRAHAM, Mr. MENENDEZ, Mr. DODD, and Mr. BINGAMAN) submitted an amendment intended to be proposed by him to the bill S. 3711, supra; which was ordered to lie on the table.

SA 4707. Mr. BAYH (for himself, Mr. BROWNBACK, Mr. LIEBERMAN, Mr. COLEMAN, Mr. SALAZAR, Mr. LUGAR, Mr. OBAMA, Mr. CHAFFEE, Mr. AKAKA, Mrs. CLINTON, Mr. DODD, Mr. KOHL, Ms. CANTWELL, Mr. KERRY, Mr. GRAHAM, Mr. MENENDEZ, Ms. COLLINS, and Mr. BINGAMAN) submitted an amendment intended to be proposed by him to the bill S. 3711, supra; which was ordered to lie on the table.

SA 4708. Mr. BAYH (for himself, Mr. BROWNBACK, Mr. LIEBERMAN, Mr. COLEMAN, Mr. SALAZAR, Mr. LUGAR, Mr. OBAMA, Mr. CHAFFEE, Mr. AKAKA, Mrs. CLINTON, Mr. DODD, Mr. KOHL, Ms. CANTWELL, Mr. KERRY, Mr. GRAHAM, Mr. MENENDEZ, Ms. COLLINS, and Mr. BINGAMAN) submitted an amendment intended to be proposed by him to the bill S. 3711, supra; which was ordered to lie on the table.

SA 4709. Mr. OBAMA (for himself, Mr. LUGAR, Mr. BIDEN, Mr. BINGAMAN, Mr. COLEMAN, Mr. SPECTER, Mr. SMITH, and Mr. HARKIN) submitted an amendment intended to be proposed by him to the bill S. 3711, supra; which was ordered to lie on the table.

SA 4710. Mr. OBAMA (for himself and Mrs. CLINTON) submitted an amendment intended to be proposed by him to the bill S. 3711, supra; which was ordered to lie on the table.

SA 4711. Mr. OBAMA (for himself and Mr. LUGAR) submitted an amendment intended to be proposed by him to the bill S. 3711, supra; which was ordered to lie on the table.

## TEXT OF AMENDMENTS

**SA 4695.** Mr. MARTINEZ (for Mr. GRASSLEY (for himself and Mr. BAUCUS)) proposed an amendment to the bill H.R. 5865, to amend section 1113 of the Social Security Act to temporarily increase funding for the program of temporary assistance to United States citizens returned from foreign countries, and for other purposes; as follows:

Strike all after the enacting clause and insert

### SECTION 1. PAYMENTS FOR TEMPORARY ASSISTANCE TO UNITED STATES CITIZENS RETURNED FROM FOREIGN COUNTRIES.

(a) INCREASE IN AGGREGATE PAYMENTS LIMIT FOR FISCAL YEAR 2006.—Section 1113(d) of the Social Security Act (42 U.S.C. 1313(d)) is amended by inserting “, except that, in the case of fiscal year 2006, the total amount of such assistance provided during that fiscal year shall not exceed \$6,000,000” after “2003”.

### SEC. 2. DISCLOSURE OF INFORMATION IN THE DIRECTORY OF NEW HIRES TO ASSIST ADMINISTRATION OF FOOD STAMP PROGRAMS.

Section 453(j) of the Social Security Act (42 U.S.C. 653(j)) is amended—

(1) by redesignating the second paragraph (7) as paragraph (9); and

(2) by adding at the end the following new paragraph

“(10) INFORMATION COMPARISONS AND DISCLOSURE TO ASSIST IN ADMINISTRATION OF FOOD STAMP PROGRAMS.—

“(A) IN GENERAL.—If, for purposes of administering a food stamp program under the Food Stamp Act of 1977, a State agency responsible for the administration of the program transmits to the Secretary the names and social security account numbers of individuals, the Secretary shall disclose to the State agency information on the individuals and their employers maintained in the National Directory of New Hires, subject to this paragraph.

“(B) CONDITION ON DISCLOSURE BY THE SECRETARY.—The Secretary shall make a disclosure under subparagraph (A) only to the extent that the Secretary determines that the disclosure would not interfere with the effective operation of the program under this part.

“(C) USE AND DISCLOSURE OF INFORMATION BY STATE AGENCIES.—

“(i) IN GENERAL.—A State agency may not use or disclose information provided under this paragraph except for purposes of administering a program referred to in subparagraph (A).

“(ii) INFORMATION SECURITY.—The State agency shall have in effect data security and control policies that the Secretary finds adequate to ensure the security of information obtained under this paragraph and to ensure that access to such information is restricted to authorized persons for purposes of authorized uses and disclosures.

“(iii) PENALTY FOR MISUSE OF INFORMATION.—An officer or employee of the State agency who fails to comply with this subparagraph shall be subject to the sanctions under subsection (1)(2) to the same extent as if the officer or employee were an officer or employee of the United States.

“(D) PROCEDURAL REQUIREMENTS.—State agencies requesting information under this paragraph shall adhere to uniform procedures established by the Secretary governing information requests and data matching under this paragraph.

“(E) REIMBURSEMENT OF COSTS.—The State agency shall reimburse the Secretary, in accordance with subsection (k)(3), for the costs incurred by the Secretary in furnishing the information requested under this paragraph.”.

**SA 4696.** Mr. ALLARD submitted an amendment intended to be proposed by him to the bill S. 3711, to enhance the energy independence and security of the United States by providing for exploration, development, and production activities for mineral resources in the Gulf of Mexico, and for other purposes; which was ordered to lie on the table; as follows:

On page 11, line 21, insert after “Treasury” the following: “, from which the Secretary of the Treasury shall transfer to the Secretary such amounts as are necessary to carry out the payment in lieu of taxes program under chapter 69 of title 31, United States Code”.

On page 18, after line 17, add the following:

(g) AVAILABILITY OF PAYMENT IN LIEU OF TAXES AMOUNTS.—Amounts made available for the payment in lieu of taxes program under subsection (a)(1) shall—

(1) be made available without further appropriation;

(2) remain available until expended; and

(3) be in addition to any amounts made available for the payment in lieu of taxes program under—

(A) section 6906 of title 31, United States Code; or

(B) any other provision of law.

**SA 4697.** Mr. INHOFE submitted an amendment intended to be proposed by him to the bill S. 3711, to enhance the energy independence and security of the United States by providing for exploration, development, and production activities for mineral resources in the Gulf of Mexico, and for other purposes; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

### SEC. . REFINERY PERMITTING PROCESS.

(a) SHORT TITLE.—This section may be cited as the “Domestic Fuel Security Act”.

(b) DEFINITIONS.—In this section:

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

(2) INDIAN TRIBE.—The term “Indian tribe” has the meaning given the term in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b).

(3) PERMIT.—The term “permit” means any permit, license, approval, variance, or other form of authorization that a refiner is required to obtain—

(A) under any Federal law; or

(B) from a State or Indian tribal government agency delegated authority by the Federal Government, or authorized under Federal law, to issue permits.

(4) REFINER.—The term “refiner” means a person that—

(A) owns or operates a refinery; or

(B) seeks to become an owner or operator of a refinery.

(5) REFINERY.—

(A) IN GENERAL.—The term “refinery” means—

(i) a facility at which crude oil is refined into transportation fuel or other petroleum products; and

(ii) any facility that produces a renewable synthetic crude oil or any other fuel.

(B) INCLUSIONS.—The term “refinery” includes—

(i) an expansion of a refinery;

(ii) a biorefinery; and

(iii) any facility that produces a renewable fuel (as defined in section 211(o)(1) of the Clean Air Act (42 U.S.C. 7545(o)(1))).

(6) REFINERY EXPANSION.—The term “refinery expansion” means a physical change in a refinery that results in an increase in the capacity of the refinery.

(7) REFINERY PERMITTING AGREEMENT.—The term “refinery permitting agreement” means an agreement entered into between the Administrator and a State or Indian tribe under subsection (d).

(8) REFINERY PROJECT.—The term “refinery project” means a project for—

(A) acquisition or development of a base realignment and closure site for use for a refinery; or

(B) acquisition, development, rehabilitation, expansion, or improvement of refining operations on a base realignment and closure site or in a community affected by a base realignment and closure site.

(9) SECRETARY.—The term “Secretary” means the Secretary of Commerce.

(10) STATE.—The term “State” means—

(A) a State;

(B) the District of Columbia;

(C) the Commonwealth of Puerto Rico; and

(D) any other territory or possession of the United States.

(c) ECONOMIC DEVELOPMENT ASSISTANCE TO ENCOURAGE PETROLEUM-BASED REFINERY ACTIVITY ON BRAC PROPERTY.—

(1) PRIORITY.—Notwithstanding section 206 of the Public Works and Economic Development Act of 1965 (42 U.S.C. 3146), in awarding funds made available to carry out section 209(c)(1) of that Act (42 U.S.C. 3149(c)(1)) pursuant to section 702 of that Act (42 U.S.C. 3232), the Secretary and the Economic Development Administration shall give priority to refinery projects.

(2) FEDERAL SHARE.—Except as provided in paragraph (3)(C)(ii) and notwithstanding the Public Works and Economic Development Act of 1965 (42 U.S.C. 3121 et seq.), the Federal share of a refinery project shall be 80 percent of the project cost.

(3) ADDITIONAL AWARD.—

(A) IN GENERAL.—The Secretary shall make an additional award in connection with a grant made to a recipient for a refinery project.

(B) AMOUNT.—The amount of an additional award shall be 10 percent of the amount of the grant for the refinery project.

(C) USE.—An additional award under this paragraph shall be used—

(i) to carry out any eligible purpose under the Public Works and Economic Development Act of 1965 (42 U.S.C. 3121 et seq.);

(ii) notwithstanding section 204 of that Act (42 U.S.C. 3144), to pay up to 100 percent of the cost of an eligible project or activity under that Act; or

(iii) to meet the non-Federal share requirements of that Act or any other Act.

(D) NON-FEDERAL SOURCE.—For the purpose of subparagraph (C)(iii), an additional award shall be treated as funds from a non-Federal source.

(E) FUNDING.—The Secretary shall use to carry out this paragraph any amounts made available for economic development assistance programs or under section 702 of that Act (42 U.S.C. 3232).

(d) STREAMLINING OF REFINERY PERMITTING PROCESS.—

(1) IN GENERAL.—At the request of the Governor of a State or the governing body of an Indian tribe, the Administrator shall enter into a refinery permitting agreement with the State or Indian tribe under which the process for obtaining all permits necessary for the construction and operation of a refinery shall be streamlined using a systematic interdisciplinary multimedia approach as provided in this section.

(2) AUTHORITY OF ADMINISTRATOR.—Under a refinery permitting agreement—

(A) the Administrator shall have authority, as applicable and necessary, to—

(i) accept from a refiner a consolidated application for all permits that the refiner is required to obtain to construct and operate a refinery;

(ii) in consultation and cooperation with each Federal, State, or Indian tribal government agency that is required to make any determination to authorize the issuance of a permit, establish a schedule under which each agency shall—

(I) concurrently consider, to the maximum extent practicable, each determination to be made; and

(II) complete each step in the permitting process; and

(iii) issue a consolidated permit that combines all permits issued under the schedule established under clause (ii); and

(B) the Administrator shall provide to State and Indian tribal government agencies—

(i) financial assistance in such amounts as the agencies reasonably require to hire such additional personnel as are necessary to enable the government agencies to comply with the applicable schedule established under subparagraph (A)(ii); and

(ii) technical, legal, and other assistance in complying with the refinery permitting agreement.

(3) AGREEMENT BY THE STATE.—Under a refinery permitting agreement, a State or governing body of an Indian tribe shall agree that—

(A) the Administrator shall have each of the authorities described in paragraph (2); and

(B) each State or Indian tribal government agency shall—

(i) in accordance with State law, make such structural and operational changes in the agencies as are necessary to enable the agencies to carry out consolidated project-wide permit reviews concurrently and in coordination with the Environmental Protection Agency and other Federal agencies; and

(ii) comply, to the maximum extent practicable, with the applicable schedule established under paragraph (2)(A)(ii).

(4) INTERDISCIPLINARY APPROACH.—

(A) IN GENERAL.—The Administrator and a State or governing body of an Indian tribe shall incorporate an interdisciplinary approach, to the maximum extent practicable, in the development, review, and approval of permits subject to this subsection.

(B) OPTIONS.—Among other options, the interdisciplinary approach may include use of—

(i) environmental management practices; and

(ii) third party contractors.

(5) DEADLINES.—

(A) NEW REFINERIES.—In the case of a consolidated permit for the construction of a new refinery, the Administrator and the State or governing body of an Indian tribe shall approve or disapprove the consolidated permit not later than—

(i) 360 days after the date of the receipt of the administratively complete application for the consolidated permit; or

(ii) on agreement of the applicant, the Administrator, and the State or governing body of the Indian tribe, 90 days after the expiration of the deadline established under clause (i).

(B) EXPANSION OF EXISTING REFINERIES.—In the case of a consolidated permit for the expansion of an existing refinery, the Administrator and the State or governing body of an Indian tribe shall approve or disapprove the consolidated permit not later than—

(i) 120 days after the date of the receipt of the administratively complete application for the consolidated permit; or

(ii) on agreement of the applicant, the Administrator, and the State or governing body of the Indian tribe, 30 days after the expiration of the deadline established under clause (i).

(6) FEDERAL AGENCIES.—Each Federal agency that is required to make any determination to authorize the issuance of a permit shall comply with the applicable schedule established under paragraph (2)(A)(ii).

(7) JUDICIAL REVIEW.—Any civil action for review of any permit determination under a refinery permitting agreement shall be brought exclusively in the United States district court for the district in which the refinery is located or proposed to be located.

(8) EFFICIENT PERMIT REVIEW.—In order to reduce the duplication of procedures, the Administrator shall use State permitting and monitoring procedures to satisfy substantially equivalent Federal requirements under this title.

(9) SEVERABILITY.—If 1 or more permits that are required for the construction or operation of a refinery are not approved on or before any deadline established under paragraph (5), the Administrator may issue a consolidated permit that combines all other permits that the refiner is required to obtain

other than any permits that are not approved.

(10) SAVINGS.—Nothing in this subsection affects the operation or implementation of otherwise applicable law regarding permits necessary for the construction and operation of a refinery.

(11) CONSULTATION WITH LOCAL GOVERNMENTS.—Congress encourages the Administrator, States, and tribal governments to consult, to the maximum extent practicable, with local governments in carrying out this subsection.

(12) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this subsection.

(13) EFFECT ON LOCAL AUTHORITY.—Nothing in this subsection affects—

(A) the authority of a local government with respect to the issuance of permits; or

(B) any requirement or ordinance of a local government (such as a zoning regulation).

(e) EFFICIENCY.—

(1) NATURAL GAS EFFICIENCY PROJECTS.—

(A) IN GENERAL.—Not later than 180 days after the date of enactment of this Act, the Administrator shall solicit applications from eligible entities, as determined by the Administrator, for grants under the Natural Gas STAR Program under the Environmental Protection Agency to pay the Federal share of the cost of projects relating to the reduction of methane emissions in the oil and gas industries.

(B) PROJECT INCLUSIONS.—To receive a grant under subparagraph (A), the application of the eligible entity shall include—

(i) an identification of 1 or more technologies used to achieve a reduction in the emission of methane; and

(ii) an analysis of the cost-effectiveness of a technology described in clause (i).

(C) LIMITATION.—A grant to an eligible entity under this paragraph shall not exceed \$50,000.

(D) FEDERAL SHARE.—The Federal share of the cost of a project under this paragraph shall not exceed 50 percent.

(E) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this paragraph \$1,000,000 for the period of fiscal years 2006 through 2010.

(2) EFFICIENCY PROMOTION WORKSHOPS.—

(A) IN GENERAL.—The Administrator, in conjunction with the Interstate Oil and Gas Compact Commission, shall conduct a series of technical workshops to provide information to officials in oil- and gas-producing States relating to methane emission reduction techniques.

(B) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this paragraph \$1,000,000 for the period of fiscal years 2006 through 2010.

(f) FUEL EMERGENCY WAIVERS.—Section 211(c)(4)(C) of the Clean Air Act (42 U.S.C. 7545(c)(4)(C)) (as amended by section 1541 of the Energy Policy Act of 2005 (Public Law 109-58; 119 Stat. 1106)) is amended—

(1) by redesignating the first clause (v) as clause (vi);

(2) by redesignating the second clause (v) as clause (vii); and

(3) by inserting after clause (iv) the following:

“(v) A State shall be held harmless and not be required to revise its State implementation plan under section 110 to account for the emissions from a waiver granted by the Administrator under clause (ii).”.

(g) PROCUREMENT OF FUEL DERIVED FROM COAL, OIL SHALE, AND TAR SANDS.—

(1) DEFINITIONS.—In this subsection:

(A) COAL-TO-LIQUID.—The term “coal-to-liquid” means—

(i) with respect to a process or technology, the use of the coal resources of the United

States, using the class of chemical reactions known as Fischer-Tropsch, to produce synthetic fuel suitable for transportation; and

(i) with respect to a facility, the portion of a facility related to the Fischer-Tropsch process, Fischer-Tropsch finished fuel production, or the capture, transportation, or sequestration of byproducts of the use of coal at the Fischer-Tropsch facility, including carbon emissions.

(B) COVERED FUEL.—The term “covered fuel” means fuel that is—

(i) produced, in whole or in part, from coal, oil shale, or tar sands;

(ii) extracted by mining or in-situ methods; and

(iii) refined or otherwise processed in the United States.

(C) SECRETARY.—The term “Secretary” means the Secretary of Defense.

(2) USE OF FUEL TO MEET DEPARTMENT OF DEFENSE NEEDS.—The Secretary shall develop a strategy to use covered fuel to assist in meeting the fuel requirements of the Department of Defense at any time at which the Secretary determines that the use of covered fuel would be in the national interest.

(3) PROCUREMENT AUTHORITY.—

(A) IN GENERAL.—The Secretary may enter into 1 or more contracts or other agreements that meet the requirements of this subsection to procure covered fuel to meet 1 or more fuel requirements of the Department of Defense.

(B) COAL-TO-LIQUID PRODUCTION FACILITIES.—

(i) IN GENERAL.—The Secretary may enter into contracts or other agreements with private and other entities to develop and operate coal-to-liquid facilities on or near military installations.

(ii) CONSIDERATIONS.—In entering into contracts and other agreements under clause (i), the Secretary shall consider land availability, testing opportunities, and proximity of raw materials.

(4) CLEAN FUEL REQUIREMENTS.—A covered fuel may be procured under this subsection only if the covered fuel meets such standards for clean fuel produced from domestic sources as the Secretary, in consultation with the Secretary of Energy, shall establish for purposes of this subsection.

(5) LONG-TERM CONTRACT AUTHORITY.—The Secretary may enter into any contract or other agreement under this subsection for a period of up to 25 years.

(6) FUEL SOURCE ANALYSIS.—To facilitate the procurement by the Department of Defense of covered fuel under this subsection, the Secretary may carry out a comprehensive assessment of current and potential locations in the United States for the supply of covered fuel to the Department of Defense.

(7) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this subsection.

(h) FISCHER-TROPSCH FUELS.—

(1) IN GENERAL.—In cooperation with the Secretary of Energy, the Secretary of Defense, the Administrator of the Federal Aviation Administration, Secretary of Health and Human Services, and Fischer-Tropsch industry representatives, the Administrator shall—

(A) conduct a research and demonstration program to evaluate the air quality benefits of ultra-clean Fischer-Tropsch transportation fuel, including diesel and jet fuel;

(B) evaluate the use of ultra-clean Fischer-Tropsch transportation fuel as a mechanism for reducing engine exhaust emissions; and

(C) submit recommendations to Congress on the most effective use and associated benefits of these ultra-clean fuel for reducing public exposure to exhaust emissions.

(2) GUIDANCE AND TECHNICAL SUPPORT.—The Administrator shall, to the extent necessary, issue any guidance or technical support documents that would facilitate the effective use and associated benefit of Fischer-Tropsch fuel and blends.

(3) REQUIREMENTS.—The program described in paragraph (1) shall consider—

(A) the use of neat (100 percent) Fischer-Tropsch fuel and blends with conventional crude oil-derived fuel for heavy-duty and light-duty diesel engines and the aviation sector; and

(B) the production costs associated with domestic production of those ultra clean fuel and prices for consumers.

(4) REPORTS.—The Administrator shall submit to the Committee on Environment and Public Works of the Senate and the Committee on Energy and Commerce of the House of Representatives—

(A) not later than October 1, 2006, an interim report on actions taken to carry out this subsection; and

(B) not later than December 1, 2007, a final report on actions taken to carry out this subsection.

**SA 4698.** Mrs. FEINSTEIN (for herself and Ms. CANTWELL) submitted an amendment intended to be proposed by her to the bill S. 3711, to enhance the energy independence and security of the United States by providing for exploration, development, and production activities for mineral resources in the Gulf of Mexico, and for other purposes; which was ordered to lie on the table; as follows:

At the end of the bill, add the following:  
**SEC. 6. ENSURING AVAILABILITY OF FLEXIBLE FUEL VEHICLES.**

(a) AMENDMENT.—

(1) IN GENERAL.—Chapter 329 of title 49, United States Code, is amended by inserting after section 32902 the following:

**“§ 32902A. Requirement to manufacture flexible fuel vehicles**

“(a) IN GENERAL.—For each model year, each manufacturer of new motor vehicles (as defined under section 30(c)(2) of the Internal Revenue Code of 1986) described in subsection (b) shall ensure that the percentage of such vehicles manufactured in a particular model year that are flexible fuel vehicles shall be not less than the percentage set forth for that model year in the following table:

| <b>“If the model year is:</b> | <b>The percentage of flexible fuel vehicles shall be:</b> |
|-------------------------------|---|
| 2010 .....                    | 25 percent  |
| 2020 .....                    | 50 percent  |

“(b) MOTOR VEHICLES DESCRIBED.—A motor vehicle is described in this subsection if the vehicle—

“(1) is capable of operating on gasoline or diesel fuel;

“(2) is distributed in interstate commerce for sale in the United States; and

“(3) does not contain certain engines that the Secretary of Transportation, in consultation with the Administrator of the Environmental Protection Agency and the Secretary of Energy, may temporarily exclude from the definition because it is technologically infeasible for the engines to have flexible fuel capability at any time during a period that the Secretaries and the Administrator are engaged in an active research program with the vehicle manufacturers to develop that capability for the engines.”.

(2) DEFINITION OF FLEXIBLE FUEL VEHICLE.—Section 32901(8) of title 49, United States

Code, is amended by inserting “or ‘flexible fuel vehicle’” after “‘dual fueled automobile’”.

(3) CLERICAL AMENDMENT.—The table of sections for chapter 329 of title 49, United States Code, is amended by inserting after the item relating to section 32902 the following:

“Sec. 32902A. Requirements to manufacture flexible fuel vehicles.”.

(b) RULEMAKING.—

(1) IN GENERAL.—Not later than 1 year after the date of the enactment of this Act, the Secretary of Transportation shall issue regulations to carry out the amendments made by subsection (a).

(2) HARDSHIP EXEMPTION.—The regulations issued pursuant to paragraph (1) shall include a process by which a manufacturer may be exempted from the requirement under section 32902A(a) upon demonstrating that such requirement would create a substantial economic hardship for the manufacturer.

**SEC. 7. ALTERNATIVE FUELS INFRASTRUCTURE.**

(a) GOAL.—Congress declares that it is the goal of the United States to increase the accessibility of alternative fuels to retail consumers, and to ensure that at least 10 percent of motor vehicle refueling stations provide alternative fuels, by calendar year 2015.

(b) ALTERNATIVE FUEL INFRASTRUCTURE INITIATIVE.—

(1) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, and every 2 years thereafter, the Secretary of Energy, in coordination with the Secretary of Transportation and the Administrator of the Environmental Protection Agency, and in consultation with State and local governments, shall—

(A) subject to subparagraph (B), develop and implement measures to increase the accessibility of alternative fuels to retail consumers to a level sufficient to ensure that at least 10 percent of motor vehicle refueling stations provide alternative fuels by calendar year 2015; and

(B) if the Secretary of Energy determines that there are insufficient legal authorities to achieve the target for calendar year 2015 described in subparagraph (A)—

(i) develop and implement measures to increase the accessibility of alternative fuels to retail consumers, to the maximum extent practicable; and

(ii) submit to Congress by January 1, 2008, proposed legislation or other recommendations to achieve that target.

(2) REQUIREMENT FOR MAJOR INTEGRATED OIL COMPANIES.—

(A) IN GENERAL.—Each major integrated oil company shall install and make available to retail consumers alternative fuels refueling infrastructure at—

(i) not less than 50 percent of the motor vehicle fueling stations owned by the company by not later than December 31, 2010; and

(ii) 100 percent of the motor vehicle refueling stations owned by the company by not later than January 1, 2015.

(B) MEANS OF COMPLIANCE.—A major integrated oil company shall meet the requirements of subparagraph (A) by—

(i) installing alternative refueling infrastructure at motor vehicle fueling stations;

(ii) purchasing alternative refueling infrastructure credits issued under subparagraph (C); or

(iii) carrying out a combination of the actions described in clauses (i) and (ii).

(C) ALTERNATIVE REFUELING INFRASTRUCTURE CREDIT TRADING PROGRAM.—Not later than 180 days after the date of enactment of this Act, the Secretary shall establish a credit trading program—

(i) to permit a major integrated oil company that does not install alternative refueling infrastructure to comply with subparagraphs (A) and (B) to achieve that compliance by purchasing sufficient alternative refueling infrastructure credits; and

(ii) under which the Secretary shall issue alternative refueling infrastructure credits to entities that install new alternative refueling infrastructure.

**SA 4699.** Mrs. FEINSTEIN (for herself, Ms. SNOWE, Mr. DURBIN, Mr. CHAFEE, Mr. INOUE, Ms. COLLINS, Ms. CANTWELL, Mr. LAUTENBERG, Mrs. BOXER, Mr. MENENDEZ, Mr. LIEBERMAN, and Mr. REED) submitted an amendment intended to be proposed by her to the bill S. 3711, to enhance the energy independence and security of the United States by providing for exploration, development, and production activities for mineral resources in the Gulf of Mexico, and for other purposes; which was ordered to lie on the table; as follows:

At the end, add the following:

**SEC. . . . AUTOMOBILE FUEL ECONOMY AND SAFETY; REDUCTION IN GREENHOUSE GAS EMISSIONS AND DEPENDENCE ON FOREIGN OIL.**

(a) AVERAGE FUEL ECONOMY STANDARDS FOR PASSENGER AUTOMOBILES AND LIGHT TRUCKS.—

(1) INCREASED STANDARDS.—Section 32902 of title 49, United States Code, is amended—

(A) in subsection (a)—

(i) by striking the subsection heading and inserting “PRESCRIPTION OF STANDARDS BY REGULATION.—”; and

(ii) by striking “(except passenger automobiles)” and inserting “(except passenger automobiles and light trucks)”; and

(B) by striking subsection (b) and inserting the following:

“(b) STANDARDS FOR PASSENGER AUTOMOBILES AND LIGHT TRUCKS.—

“(1) IN GENERAL.—The Secretary of Transportation, after consultation with the Administrator of the Environmental Protection Agency, shall prescribe average fuel economy standards for passenger automobiles and light trucks manufactured by a manufacturer in each model year beginning with model year 2009 in order to achieve a combined average fuel economy standard for passenger automobiles and light trucks for model year 2017 of at least 35 miles per gallon, or such other number as the Secretary may prescribe under subsection (c).

“(2) ELIMINATION OF SUV LOOPHOLE.—Beginning not later than with model year 2011, the regulations prescribed under this section may not make any distinction between passenger automobiles and light trucks.

“(3) PROGRESS TOWARD STANDARD REQUIRED.—In prescribing average fuel economy standards under paragraph (1), the Secretary shall prescribe appropriate annual fuel economy standard increases for passenger automobiles and light trucks that—

“(A) increase the applicable average fuel economy standard ratably beginning with model year 2009 and ending with model year 2017; and

“(B) require that each manufacturer achieve—

“(i) a fuel economy standard for passenger automobiles manufactured by that manufacturer of at least 31.1 miles per gallon not later than model year 2009; and

“(ii) a fuel economy standard for light trucks manufactured by that manufacturer of at least 23.6 miles per gallon not later than model year 2009.

“(4) FUEL ECONOMY BASELINE FOR PASSENGER AUTOMOBILES.—Notwithstanding the

maximum feasible average fuel economy level established by regulations prescribed under subsection (c), the minimum fleetwide average fuel economy standard for passenger automobiles manufactured by a manufacturer in a model year for the domestic fleet and foreign fleet of the manufacturer, as calculated under section 32904 of this title (as in effect before the date of enactment of the Gulf of Mexico Energy Security Act of 2006), shall be the greater of—

“(A) 27.5 miles per gallon; or

“(B) 92 percent of the average fuel economy projected by the Secretary for the combined domestic and foreign fleets manufactured by all manufacturers in that model year.

“(5) DEADLINE FOR REGULATIONS.—The Secretary shall promulgate the regulations required by paragraphs (1) and (2) in final form not later than 18 months after the date of enactment of the Gulf of Mexico Energy Security Act of 2006.”.

(b) PASSENGER CAR PROGRAM REFORM.—Section 32902 of title 49, United States Code, is amended—

(1) in subsection (a), by striking the last sentence; and

(2) in subsection (c)—

(A) by striking paragraph (2); and

(B) in paragraph (1)—

(i) in the first sentence—

(I) by striking “(1) Subject to paragraph (2) of this subsection” and inserting the following:

“(1) IN GENERAL.—Not later than 18 months before the beginning of each model year”; and

(II) by striking “the standard under subsection (b) of this section” and inserting “a standard under subsection (b)”; and

(ii) in the second sentence—

(I) by striking “Section” and inserting the following:

“(2) AMENDMENTS.—Section”; and

(II) by striking “the standard” and inserting “any standard prescribed under subsection (b)”.

(c) DEFINITION OF WORK TRUCK.—

(1) DEFINITION OF WORK TRUCK.—Section 32901(a) of title 49, United States Code, is amended by adding at the end the following:

“(18) ‘work truck’ means an automobile that the Secretary determines by regulation—

“(A) is rated at between 8,500 and 10,000 pounds gross vehicle weight; and

“(B) is not a medium duty passenger vehicle, as defined in section 86.1803-01 of title 40, Code of Federal Regulations (or a successor regulation).”.

(2) DEADLINE FOR REGULATIONS.—The Secretary of Transportation—

(A) shall issue proposed regulations implementing the amendment made by subsection (a) not later than 1 year after the date of enactment of this Act; and

(B) shall issue final regulations implementing that amendment not later than 18 months after the date of enactment of this Act.

(3) FUEL ECONOMY STANDARDS FOR WORK TRUCKS.—The Secretary of Transportation, in consultation with the Administrator of the Environmental Protection Agency, shall prescribe standards to achieve the maximum feasible fuel economy for work trucks (as defined in section 32901(a)(18) of title 49, United States Code) manufactured by a manufacturer in each model year beginning in model year 2011.

(d) DEFINITION OF LIGHT TRUCK.—

(1) DEFINITION.—

(A) IN GENERAL.—Section 32901(a) of title 49, United States Code (as amended by subsection (c)), is amended—

(i) by redesignating paragraphs (12) through (16) as paragraphs (13) through (17), respectively; and

(ii) by inserting after paragraph (11) the following:

“(12) ‘light truck’ means an automobile that the Secretary determines by regulation—

“(A) is manufactured primarily for transporting not more than 10 individuals;

“(B) is rated at not more than 10,000 pounds gross vehicle weight;

“(C) is not a passenger automobile; and

“(D) is not a work truck.”.

(B) DEADLINE FOR REGULATIONS.—The Secretary of Transportation—

(i) shall issue proposed regulations implementing the amendment made by subparagraph (A) not later than 1 year after the date of enactment of this Act; and

(ii) shall issue final regulations implementing that amendment not later than 18 months after the date of enactment of this Act.

(C) EFFECTIVE DATE.—Regulations prescribed under subparagraph (A) shall apply beginning with model year 2009.

(2) APPLICABILITY OF EXISTING STANDARDS.—This section does not affect the application of section 32902 of title 49, United States Code, to passenger automobiles or non-passenger automobiles manufactured before model year 2009.

(3) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Secretary of Transportation to carry out chapter 329 of title 49, United States Code, \$25,000,000 for each of fiscal years 2007 through 2019.

(e) ENSURING SAFETY OF PASSENGER AUTOMOBILES AND LIGHT TRUCKS.—

(1) IN GENERAL.—The Secretary of Transportation shall exercise such authority under Federal law as the Secretary may have to ensure that—

(A) passenger automobiles and light trucks (as those terms are defined in section 32901 of title 49, United States Code) are safe;

(B) progress is made in improving the overall safety of passenger automobiles and light trucks; and

(C) progress is made in maximizing United States employment.

(2) VEHICLE SAFETY.—Subchapter II of chapter 301 of title 49, United States Code, is amended by adding at the end the following:

**“§30129. Vehicle compatibility and aggressivity reduction standard**

“(a) STANDARDS.—The Secretary of Transportation shall issue a motor vehicle safety standard to reduce vehicle incompatibility and aggressivity between passenger vehicles and non-passenger vehicles. The standard shall address characteristics necessary to ensure better management of crash forces in multiple vehicle frontal and side impact crashes between different types, sizes, and weights of vehicles with a gross vehicle weight of 10,000 pounds or less in order to decrease occupant deaths and injuries.

“(b) CONSUMER INFORMATION.—The Secretary shall develop and implement a public information side and frontal compatibility crash test program with vehicle ratings based on risks to occupants, risks to other motorists, and combined risks by vehicle make and model.”.

(3) RULEMAKING DEADLINES.—

(A) RULEMAKING.—The Secretary of Transportation shall issue—

(i) a notice of a proposed rulemaking under section 30129 of title 49, United States Code, not later than January 1, 2008; and

(ii) a final rule under that section not later than December 31, 2009.

(B) EFFECTIVE DATE OF REQUIREMENTS.—Any requirement imposed under the final

rule issued under subparagraph (A) shall become fully effective not later than September 1, 2012.

(4) CONFORMING AMENDMENT.—The chapter analysis for chapter 301 is amended by inserting after the item relating to section 30128 the following:

“30129. Vehicle compatibility and aggressivity reduction standard”.

(f) TRUTH IN FUEL ECONOMY TESTING.—

(1) IN GENERAL.—The Administrator of the Environmental Protection Agency, in consultation with the Secretary of Transportation, shall use, as appropriate, existing emission test cycles and updated adjustment factors to update and revise the process used to determine fuel economy values for labeling purposes as described in sections 600.209–85 and 600.209–95 of title 40, Code of Federal Regulations (or successor regulations), to take into consideration current factors, such as—

- (A) speed limits;
- (B) acceleration rates;
- (C) braking;
- (D) variations in weather and temperature;
- (E) vehicle load;
- (F) use of air conditioning;
- (G) driving patterns; and
- (H) the use of other fuel-consuming features.

(2) LABELS FOR FUEL ECONOMY MODE DEVICES.—The Administrator of the Environmental Protection Agency shall include fuel economy label information for all fuel economy modes provided by devices described in paragraph (1).

(3) DEADLINE.—In carrying out paragraph (1), the Administrator shall—

(A) issue a notice of proposed rulemaking, or amend the notice of proposed rulemaking for Docket Id. No. OAR–2003–0214, not later than 90 days after the date of enactment of this Act; and

(B) promulgate a final rule not later than 180 days after the date on which the notice under subparagraph (A) is issued.

(4) USE OF COMMON MEASUREMENTS FOR LABELING AND COMPLIANCE TESTING.—Section 32904 of title 49, United States Code, is amended by striking subsection (c) and inserting the following:

“(c) TESTING AND CALCULATION PROCEDURES.—The Administrator shall measure fuel economy for each model and calculate average fuel economy for a manufacturer using the same procedures and factors used by the Administrator for labeling purposes under section 32908 by model year 2015.”.

(5) REEVALUATION AND REPORT.—Not later than 3 years after the date of promulgation of the final rule under paragraph (3)(B), and triennially thereafter, the Administrator shall—

(A) reevaluate the fuel economy labeling procedures described in paragraphs (2) and (4) to determine whether changes in the factors used to establish the labeling procedures warrant a revision of that process; and

(B) submit a report to the Committee on Commerce, Science, and Transportation of the Senate and the Committee on Energy and Commerce of the House of Representatives that describes the results of the reevaluation process.

(g) ONBOARD FUEL ECONOMY INDICATORS AND DEVICES.—

(1) IN GENERAL.—Chapter 329 of title 49, United States Code (as amended by subsection (e)), is further amended by adding at the end the following:

“§ 32921. Fuel economy indicators and devices

“(a) IN GENERAL.—The Secretary of Transportation, in consultation with the Administrator of the Environmental Protection

Agency, shall prescribe a fuel economy standard for passenger automobiles and light trucks manufactured by a manufacturer in each model year beginning with model year 2013 that requires each such automobile and light truck to be equipped with—

“(1) an onboard electronic instrument that provides real-time and cumulative fuel economy data;

“(2) an onboard electronic instrument that signals a driver when inadequate tire pressure may be affecting fuel economy; and

“(3) a device that will allow drivers to place the automobile or light truck in a mode that will automatically produce greater fuel economy.

“(b) EXCEPTION.—Subsection (a) does not apply to any vehicle that is not subject to an average fuel economy standard under section 32902(b).

“(c) ENFORCEMENT.—Subchapter IV of chapter 301 of this title shall apply to a fuel economy standard prescribed under subsection (a) to the same extent and in the same manner as if that standard were a motor vehicle safety standard under chapter 301.”.

(2) CONFORMING AMENDMENT.—The chapter analysis for chapter 329 of title 49, United States Code (as amended by subsection (e)), is amended by inserting after the item relating to section 32920 the following:

“32921. Fuel economy indicators and devices”.

(h) SECRETARY OF TRANSPORTATION TO CERTIFY BENEFITS.—Beginning with model year 2009, the Secretary of Transportation, in consultation with the Administrator of the Environmental Protection Agency, shall determine and certify annually to Congress, in accordance with the average fuel economy standards under section 32902 of title 49, United States Code—

(1) the annual reduction in United States consumption of gasoline or petroleum distillates used for vehicle fuel, and

(2) the annual reduction in greenhouse gas emissions,

(i) CREDIT TRADING PROGRAM.—Section 32903 of title 49, United States Code, is amended—

(1) in subsections (a) through (d), by striking “passenger” each place it appears;

(2) in subsections (a), (b), and (c), by striking “section 32902(b)–(d) of this title” each place it appears and inserting “subsection (a), (c), or (d) of section 32902”;

(3) in subsection (a)(2), by striking “clause (1) of this subsection” and inserting “paragraph (1)”;

(4) by striking subsection (e) and inserting the following:

“(e) CREDIT TRADING AMONG MANUFACTURERS.—The Secretary of Transportation may establish, by regulation, a corporate average fuel economy credit trading program to allow manufacturers whose automobiles exceed the average fuel economy standards prescribed under section 32902 of this title to earn credits to be sold to manufacturers whose automobiles fail to achieve the prescribed standards.”.

(j) REPORT TO CONGRESS.—Not later than December 31, 2012, the Secretary of Transportation shall submit to Congress a report on the progress made by the automobile manufacturing industry towards meeting the 35 miles per gallon average fuel economy standard required under section 32902(b)(4) of title 49, United States Code.

(k) LABELS FOR FUEL ECONOMY AND GREENHOUSE GAS EMISSIONS.—Section 32908 of title 49, United States Code, is amended—

(1) in subsection (a)(1), by striking the period at the end and inserting “, and a light truck manufactured by a manufacturer in a model year after model year 2009; and”;

(2) in subsection (b)—

(A) in paragraph (1)—

(i) by redesignating subparagraph (F) as subparagraph (H); and

(ii) by inserting after subparagraph (E) the following:

“(F) A label (or a logo imprinted on a label required by this paragraph) that—

“(i) reflects the performance of an automobile on the basis of criteria developed by the Administrator to reflect the fuel economy and greenhouse gas and other emissions consequences of operating the automobile over its likely useful life;

“(ii) permits consumers to compare performance results under clause (i) among all passenger automobiles and light duty trucks; and

“(iii) is designed to encourage the manufacture and sale of passenger automobiles and light trucks that meet or exceed applicable fuel economy standards under section 32902.

“(G) A fuelstar under paragraph (5).”; and

(B) by adding at the end the following:

“(4) GREEN LABEL PROGRAM.—

“(A) MARKETING ANALYSIS.—Not later than 2 years after the date of enactment of the Gulf of Mexico Energy Security Act of 2006, the Administrator shall complete a study of social marketing strategies with the goal of maximizing consumer understanding of point-of-sale labels or logos described in paragraph (1)(F).

“(B) ELIGIBILITY.—Not later than 3 years after the date of enactment of the Gulf of Mexico Energy Security Act of 2006, the Administrator shall issue requirements for the label or logo required by paragraph (1)(F) to ensure that a passenger automobile or light truck is not eligible for the label or logo unless it—

“(i) meets or exceeds the applicable fuel economy standard; or

“(ii) will have the lowest greenhouse gas emissions over the useful life of the vehicle of all vehicles in the vehicle class to which it belongs in that model year.

“(C) CRITERIA.—In developing criteria for the label or logo, the Administrator shall also consider, among others as appropriate, the following factors:

“(i) The recyclability of the automobile.

“(ii) Any other pollutants or harmful by-products related to the automobile, which may include those generated during manufacture of the automobile, those issued during use of the automobile, or those generated after the automobile ceases to be operated.

“(5) FUELSTAR PROGRAM.—

“(A) IN GENERAL.—The Secretary shall establish a program, to be known as the ‘fuelstar’ program, under which stars shall be imprinted on or attached to the label required by paragraph (1).

“(B) GREEN STARS.—Under the program a manufacturer may place green stars on the label maintained on an automobile under paragraph (1) as follows:

“(i) 1 green star for any automobile that meets the average fuel economy standard for the model year under section 32902.

“(ii) 1 additional green star for each 2 miles per gallon by which the automobile exceeds that standard.

“(C) GOLD STARS.—Under the program a manufacturer may place a gold star on the label maintained on an automobile under paragraph (1) if—

“(i) in the case of a passenger automobile, it obtains a fuel economy of 50 miles per gallon or more; and

“(ii) in the case of a light truck, it obtains a fuel economy of 37 miles per gallon or more.”.

**SA 4700.** Ms. SNOWE (for herself, Mrs. FEINSTEIN, and Mr. KERRY) submitted an amendment intended to be proposed by her to the bill S. 3711, to enhance the energy independence and security of the United States by providing for exploration, development, and production activities for mineral resources in the Gulf of Mexico, and for other purposes; which was ordered to lie on the table; as follows:

At the end, add the following:

**TITLE II—EXTEND THE EFFICIENCY INCENTIVES ACT OF 2006**

**SEC. 200. SHORT TITLE, ETC.**

(a) **SHORT TITLE.**—This title may be cited as the “EXTEND THE Energy Efficiency Incentives Act of 2006”.

(b) **AMENDMENT OF 1986 CODE.**—Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

**Subtitle A—Non-Business Energy Improvements**

**SEC. 201. PERFORMANCE BASED ENERGY IMPROVEMENTS FOR NON-BUSINESS PROPERTY.**

(a) **IN GENERAL.**—Subpart A of part IV of subchapter A of chapter 1 is amended by inserting after section 25D the following new section:

**“SEC. 25E. PERFORMANCE BASED ENERGY IMPROVEMENTS.**

“(a) **IN GENERAL.**—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the amount of qualified energy efficiency expenditures paid or incurred by the taxpayer during the taxable year.

“(b) **LIMITATIONS.**—

“(1) **IN GENERAL.**—The amount allowed as a credit under subsection (a) shall not exceed—

“(A) in the case of a principal residence that achieves a qualified energy savings of 50 percent or more, \$2,000, and

“(B) in the case of a principal residence which achieves a qualified energy savings of less than 50 percent, the product of—

“(i) the qualified energy savings achieved, and

“(ii) \$4,000.

“(2) **MINIMUM AMOUNT OF QUALIFIED ENERGY SAVINGS.**—No credit shall be allowed under subsection (a) with respect to any principal residence which achieves a qualified energy savings of less than 20 percent.

“(c) **QUALIFIED ENERGY EFFICIENCY EXPENDITURES.**—For purposes of this section:

“(1) **IN GENERAL.**—The term ‘qualified energy efficiency expenditures’ means any amount paid or incurred which is related to producing qualified energy savings in a principal residence of the taxpayer which is located in the United States.

“(2) **NO DOUBLE BENEFIT FOR CERTAIN EXPENDITURES.**—The term ‘qualified energy efficiency expenditures’ shall not include any expenditure for which a deduction or credit is otherwise allowed to the taxpayer under this chapter.

“(3) **PRINCIPAL RESIDENCE.**—The term ‘principal residence’ has the same meaning as when used in section 121, except that—

“(A) no ownership requirement shall be imposed, and

“(B) the period for which a building is treated as used as a principal residence shall also include the 60-day period ending on the 1st day on which it would (but for this subparagraph) first be treated as used as a principal residence.

“(d) **QUALIFIED ENERGY SAVINGS.**—For purposes of this section—

“(1) **IN GENERAL.**—The term ‘qualified energy savings’ means, with respect to any principal residence, the amount (measured as a percentage) by which—

“(A) the annual energy use with respect to the principal residence after qualified energy efficiency expenditures are made, as certified under paragraph (2), is less than

“(B) the annual energy use with respect to the principal residence before the qualified energy efficiency expenditures were made, as certified under paragraph (2).

In determining annual energy use under subparagraph (B), any energy efficiency improvements which are not attributable to qualified energy efficiency expenditures shall be disregarded.

“(2) **CERTIFICATION.**—

“(A) **IN GENERAL.**—The Secretary, in consultation with the Secretary of Energy, shall prescribe the procedures and methods for the making of certifications under this paragraph based on the Residential Energy Services Network (RESNET) Technical Guidelines in effect on the date of the enactment of this section.

“(B) **QUALIFIED INDIVIDUALS.**—Any certification made under this paragraph may only be made by an individual who is recognized by an organization certified by the Secretary for such purposes.

“(e) **SPECIAL RULES.**—For purposes of this section rules similar to the rules under paragraphs (4), (5), (6), (7), (8), and (9) of section 25D(e) and section 25C(e)(2) shall apply.

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

“(g) **TERMINATION.**—This section shall not apply with respect to any property placed in service after December 31, 2010.”.

(b) **INTERIM GUIDANCE ON CERTIFICATION.**—

(1) **IN GENERAL.**—Not later than 90 days after the date of the enactment of this Act, the Secretary of the Treasury, in consultation with the Secretary of Energy, shall issue interim guidance on—

(A) the procedures and methods for making certifications under sections 25E(d)(2)(A) and 179E(d)(2)(A) of the Internal Revenue Code of 1986, as added by subsection (a) and section 213, respectively; and

(B) the recognition of qualified individuals under sections 25E(d)(2)(B) and 179E(d)(2)(B) of such Code for the purpose of making such certifications.

(2) **CONSULTATION WITH STAKEHOLDERS.**—

(A) **IN GENERAL.**—The Secretary of the Treasury, in issuing guidance pursuant to paragraph (1), shall consider comments from energy efficiency experts and other interested parties.

(B) **OTHER CONSIDERATIONS.**—In the case of guidance issued pursuant to paragraph (1)(B), the Secretary of the Treasury shall also consider—

(i) the Residential Energy Services Network Technical Guidelines and other pertinent guidelines for evaluating energy savings;

(ii) energy modeling software, including software accredited through the Residential Energy Services Network; and

(iii) quality assurance procedures of the Building Performance Institute, Home Performance through Energy Star, and the Residential Energy Services Network.

(c) **ALTERNATIVE CERTIFICATION METHODS.**—

(1) **IN GENERAL.**—The Secretary of the Treasury shall establish a procedure for individuals and businesses to petition for the ap-

proval of alternative methods of certification under sections 25E(d)(2)(A) and 179E(d)(2)(A) of the Internal Revenue Code of 1986, as added by subsection (a) and section 213, respectively.

(2) **DETERMINATION.**—The Secretary of the Treasury shall make a determination on the approval or disapproval of such alternative methods of certification not later than 90 days after receiving a petition under paragraph (1).

(d) **CONFORMING AMENDMENTS.**—

(1) Section 1016(a) 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 25E(f).”.

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

“Sec. 25E. Performance based energy improvements.”.

(e) **EFFECTIVE DATES.**—The amendments made by this section shall apply to amounts paid or incurred in taxable years beginning after the date of the enactment of this Act.

**SEC. 202. EXTENSION AND MODIFICATION OF CREDIT FOR NONBUSINESS ENERGY PROPERTY.**

(a) **EXTENSION.**—Subsection (g) of section 25C of the Internal Revenue Code of 1986 (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2010”.

(b) **MODIFICATIONS FOR RESIDENTIAL ENERGY EFFICIENCY PROPERTY EXPENDITURES.**—

(1) **INCREASED LIMITATION FOR OIL FURNACES AND NATURAL GAS, PROPANE, AND OIL HOT WATER BOILERS.**—

(A) **IN GENERAL.**—Subparagraphs (B) and (C) of section 25C(b)(3) are amended to read as follows:

“(B) \$150 for any qualified natural gas furnace or qualified propane furnace, and

“(C) \$300 for—

“(i) any item of energy-efficient building property, and

“(ii) any qualified oil furnace, qualified natural gas hot water boiler, qualified propane hot water boiler, or qualified oil hot water boiler.”.

(B) **CONFORMING AMENDMENT.**—Clause (ii) of section 25C(d)(2)(A) is amended to read as follows:

“(ii) any qualified natural gas furnace, qualified propane furnace, qualified oil furnace, qualified natural gas hot water boiler, qualified propane hot water boiler, or qualified oil hot water boiler, or”.

(2) **MODIFICATIONS OF STANDARDS FOR ENERGY-EFFICIENT BUILDING PROPERTY.**—

(A) **ELECTRIC HEAT PUMPS.**—Subparagraph (B) of section 25C(d)(3) is amended to read as follows:

“(A) an electric heat pump which achieves the highest efficiency tier established by the Consortium for Energy Efficiency, as in effect on January 1, 2007.”.

(B) **CENTRAL AIR CONDITIONERS.**—Section 25C(d)(3)(D) is amended by striking “2006” and inserting “2007”.

(C) **OIL FURNACES AND HOT WATER BOILERS.**—Paragraph (4) of section 25C(d) is amended to read as follows:

“(4) **QUALIFIED NATURAL GAS, PROPANE, AND OIL FURNACES AND HOT WATER BOILERS.**—

“(A) **QUALIFIED NATURAL GAS FURNACE.**—The term ‘qualified natural gas furnace’ means any natural gas furnace which achieves an annual fuel utilization efficiency rate of not less than 95.

“(B) **QUALIFIED NATURAL GAS HOT WATER BOILER.**—The term ‘qualified natural gas hot water boiler’ means any natural gas hot

water boiler which achieves an annual fuel utilization efficiency rate of not less than 95.

“(C) QUALIFIED PROPANE FURNACE.—The term ‘qualified propane furnace’ means any propane furnace which achieves an annual fuel utilization efficiency rate of not less than 95.

“(D) QUALIFIED PROPANE HOT WATER BOILER.—The term ‘qualified propane hot water boiler’ means any propane hot water boiler which achieves an annual fuel utilization efficiency rate of not less than 95.

“(E) QUALIFIED OIL FURNACES.—The term ‘qualified oil furnace’ means any oil furnace which achieves an annual fuel utilization efficiency rate of not less than 90.

“(F) QUALIFIED OIL HOT WATER BOILER.—The term ‘qualified oil hot water boiler’ means any oil hot water boiler which achieves an annual fuel utilization efficiency rate of not less than 90.”.

(C) MODIFICATION OF QUALIFIED ENERGY EFFICIENCY IMPROVEMENTS.—

(1) IN GENERAL.—Paragraph (1) of section 25C(c) is amended by inserting “, or an asphalt roof with appropriate cooling granules,” before “which meet the Energy Star program requirements”.

(2) BUILDING ENVELOPE COMPONENT.—Subparagraph (D) of section 25C(c)(2) is amended—

(A) by inserting “or asphalt roof” after “metal roof”, and

(B) by inserting “or cooling granules” after “pigmented coatings”.

(d) ELIMINATION OF CREDIT FOR QUALIFIED ENERGY EFFICIENCY IMPROVEMENTS IN 2010.—

(1) IN GENERAL.—Subsection (a) of section 25C of the Internal Revenue Code of 1986 is amended to read as follows:

“(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the amount of residential energy property expenditures paid or incurred by the taxpayer during the taxable year.”.

(2) CONFORMING AMENDMENTS.—

(A) Section 25C(b) of such Code, as amended by subsection (b)(1), is amended by striking paragraphs (1) and (2) and by redesignating paragraph (3) as paragraph (1).

(B) Section 25C(b)(1) of such Code, as redesignated by subparagraph (A), is amended by striking “by reason of subsection (a)(2)”.

(C) Section 25C of such Code is amended by striking subsection (c).

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amendments made by this section shall apply to property placed in service after the date of the enactment of this Act.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to property placed in service after December 31, 2006.

(3) SUBSECTION (d).—The amendments made by subsection (d) shall apply to property placed in service after December 31, 2009.

**SEC. 203. MODIFICATION OF CREDIT FOR SOLAR ELECTRIC PROPERTY AND SOLAR HOT WATER PROPERTY.**

(a) IN GENERAL.—Subsection (a) of section 25D (relating to allowance of credit) is amended by striking paragraphs (1) and (2) and inserting the following:

“(1) 100 percent of the qualified solar electric property expenditures made by the taxpayer during such year,

“(2) 100 percent of the qualified solar hot water property expenditures made by the taxpayer during such year, and”.

(b) LIMITATIONS.—

(1) IN GENERAL.—Paragraph (1) of section 25D(b) is amended by striking subparagraphs (A) and (B) and inserting the following:

“(A) \$2 with respect to each peak watt of capacity of qualified solar electric property

for which qualified solar electric property expenditures are made,

“(B) in the case of qualified solar water heating property expenditures, an amount equal to—

“(i) in the case of a dwelling unit which uses electricity to heat water, \$0.35 with respect to each kilowatt per year of savings of qualified solar hot water property for which qualified solar water heating property expenditures are made, or

“(ii) in the case of a dwelling unit which uses natural gas to heat water, \$7 with respect to each annual Therm of natural gas savings of qualified solar hot water property for which qualified solar water heating property expenditures are made, and”.

(2) DETERMINATION OF SAVINGS.—Paragraph (1) of section 25D(b) is amended by adding at the end the following new flush sentence:

“For purposes of subparagraph (B), savings shall be determined under regulations prescribed by the Secretary based on the OG-300 Standard for the Annual Performance of OG-300 Certified Systems of the Solar Rating and Certification Corporation.”.

(c) DEFINITIONS.—

(1) IN GENERAL.—Section 25D(d) is amended—

(A) by redesignating paragraph (3) as paragraph (5), and

(B) by striking paragraphs (1) and (2) and inserting the following:

“(1) QUALIFIED SOLAR ELECTRIC PROPERTY EXPENDITURES.—The term ‘qualified solar electric property expenditures’ means any amount paid or incurred for qualified solar electric property.

“(2) QUALIFIED SOLAR ELECTRIC PROPERTY.—The term ‘qualified solar electric property’ means solar electric property (as defined in section 179F(c)(2)(B)) installed on or in connection with a dwelling unit located in the United States and used as a residence by the taxpayer.

“(3) QUALIFIED SOLAR WATER HEATING PROPERTY EXPENDITURES.—The term ‘qualified solar water heating property expenditures’ means any amount paid or incurred for qualified solar hot water property.

“(4) QUALIFIED SOLAR HOT WATER PROPERTY.—The term ‘qualified solar hot water property’ means solar hot water property (as defined in section 179F(c)(2)(C)) installed on or in connection with a dwelling unit located in the United States and used as a residence by the taxpayer.”.

(2) CONFORMING AMENDMENTS.—

(A) Section 25D(e)(2) is amended by striking “property described in paragraph (1) and (2) of subsection (d)” and inserting “qualified solar electric property or qualified solar hot water property”.

(B) Section 25D(e)(4)(C) is amended by striking “paragraphs (1), (2), and (3)” and inserting “paragraphs (1), (3), and (5)”.

(d) DOLLAR AMOUNTS IN CASE OF JOINT OCCUPANCY.—Clauses (i) and (ii) of section 25D(e)(4)(A) are amended to read as follows:

“(i) \$2 in the case of each peak watt of capacity of qualified solar electric property for which qualified solar electric property expenditures are made,

“(ii) in the case of qualified solar water heating property expenditures, an amount equal to—

“(I) in the case of a dwelling unit which uses electricity to heat water, \$0.35 with respect to each kilowatt per year of savings of qualified solar hot water property for which qualified solar water heating property expenditures are made, or

“(II) in the case of a dwelling unit which uses natural gas to heat water, \$7 with respect to each annual Therm of natural gas savings of qualified solar hot water property for which qualified solar water heating property expenditures are made, and”.

(e) EXTENSION OF CREDIT.—Subsection (g) of section 25D is amended by striking “2007” and inserting “2010”.

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

**Subtitle B—Business-Related Energy Improvements**

**SEC. 211. EXTENSION AND CLARIFICATION OF NEW ENERGY EFFICIENT HOME CREDIT.**

(a) EXTENSION.—Subsection (g) of section 45L (relating to termination) is amended by striking “December 31, 2007” and inserting “December 31, 2010”.

(b) CLARIFICATION.—

(1) IN GENERAL.—Paragraph (1) of section 45L(a) is amended by striking “and” at the end of subparagraph (A) and by striking subparagraph (B) and inserting the following:

“(B) acquired by a person from such eligible contractor, and

“(C) used by any person as a residence during the taxable year.”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall take effect as if included in section 1332 of the Energy Policy Act of 2005.

**SEC. 212. EXTENSION AND MODIFICATION OF DEDUCTION FOR ENERGY EFFICIENT COMMERCIAL BUILDINGS.**

(a) EXTENSION.—Subsection (h) of section 179D (relating to termination) is amended to read as follows:

“(h) TERMINATION.—This section shall not apply with respect to property—

“(1) which is certified under subsection (d)(6) after December 31, 2011, or

“(2) which is placed in service after December 31, 2013.”.

(b) INCREASE IN MAXIMUM AMOUNT OF DEDUCTION.—

(1) IN GENERAL.—Subparagraph (A) of section 179D(b)(1) is amended by striking “\$1.80” and inserting “\$2.25”.

(2) PARTIAL ALLOWANCE.—Paragraph (1) of section 179D(d) is amended—

(A) by striking “\$3.60” and inserting “\$0.75”, and

(B) by striking “\$1.80” and inserting “\$2.25”.

(c) MODIFICATIONS TO CERTAIN SPECIAL RULES.—

(1) REQUIREMENTS FOR COMPUTER SOFTWARE USED IN CALCULATING ENERGY AND POWER CONSUMPTION COSTS.—Computer software used in preparing a calculation under section 179D(d)(2) of the Internal Revenue Code of 1986 shall automatically—

(A) generate the features, energy use, and energy and power consumption costs of a reference building that meets Standard 90.1-2001 (as defined under section 179D(c)(2) of such Code), and

(B) compare such features, energy use, and consumption costs to the features, energy use, and consumption costs of the building or system with respect to which the calculation is being made.

(2) TARGETS FOR PARTIAL ALLOWANCE OF CREDIT.—The targets established by the Secretary under section 179D(b)(1)(B) of the Internal Revenue Code of 1986 shall be based on prescriptive criteria that can be modeled explicitly.

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

**SEC. 213. DEDUCTION FOR ENERGY EFFICIENT LOW-RISE BUILDINGS.**

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 is amended by inserting after section 179D the following new section:

**“SEC. 179E. ENERGY EFFICIENT LOW-RISE BUILDINGS DEDUCTION.**

“(a) IN GENERAL.—There shall be allowed as a deduction an amount equal to the

amount of qualified energy efficiency expenditures paid or incurred by the taxpayer during the taxable year.

“(b) LIMITATIONS.—

“(1) IN GENERAL.—The amount allowed as a credit under subsection (a) shall not exceed—

“(A) in the case of a qualified low-rise building that achieves a qualified energy savings of 50 percent or more, \$6,000, and

“(B) in the case of a qualified low-rise building which achieves a qualified energy savings of less than 50 percent, the product of—

“(i) the qualified energy savings achieved, and

“(ii) \$12,000.

“(2) MINIMUM AMOUNT OF QUALIFIED ENERGY SAVINGS.—No credit shall be allowed under subsection (a) with respect to any qualified low-rise building which achieves a qualified energy savings of less than 20 percent.

“(c) QUALIFIED ENERGY EFFICIENCY EXPENDITURES.—For purposes of this section:

“(1) IN GENERAL.—The term ‘qualified energy efficiency expenditures’ means any amount paid or incurred which is related to producing qualified energy savings in a qualified low-rise building of the taxpayer which is located in the United States.

“(2) NO DOUBLE BENEFIT FOR CERTAIN EXPENDITURES.—The term ‘qualified energy efficiency expenditures’ shall not include any expenditure for any property for which a deduction has been allowed to the taxpayer under section 179F.

“(3) QUALIFIED LOW-RISE BUILDING.—The term ‘qualified low-rise building’ means a building—

“(A) with respect to which depreciation is allowable under section 167, and

“(B) which is not within the scope of Standard 90.1-2001 (as defined under section 179D(c)(2)).

“(d) QUALIFIED ENERGY SAVINGS.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified energy savings’ means, with respect to any qualified low-rise building, the amount (measured as a percentage) by which—

“(A) the annual energy use with respect to the qualified low-rise building after qualified energy efficiency expenditures are made, as certified under paragraph (2), is less than

“(B) the annual energy use with respect to the qualified low-rise building before the qualified energy efficiency expenditures were made, as certified under paragraph (2).

In determining annual energy use under subparagraph (B), any energy efficiency improvements which are not attributable to qualified energy efficiency expenditures shall be disregarded.

“(2) CERTIFICATION.—

“(A) IN GENERAL.—The Secretary, in consultation with the Secretary of Energy, shall prescribe the procedures and method for the making of certifications under this paragraph based on the Residential Energy Services Network (RESNET) Technical Guidelines in effect on the date of the enactment of this Act.

“(B) QUALIFIED INDIVIDUALS.—Any certification made under this paragraph may only be made by an individual who is recognized by an organization certified by the Secretary for such purposes.

“(e) SPECIAL RULES.—For purposes of this section, rules similar to the rules under paragraphs (8) and (9) of section 25D(e) shall apply.

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

“(g) TERMINATION.—This section shall not apply with respect to any property placed in service after December 31, 2010.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 1016(a), as amended by section 201, 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 new paragraph:

“(39) to the extent provided in section 179E(f).”.

(2) Section 1245(a) is amended by inserting “179E,” after “179D,” both places it appears in paragraphs (2)(C) and (3)(C).

(3) Section 1250(b)(3) is amended by inserting “or 179E” after “section 179D”.

(4) Section 263(a)(1) is amended by striking “or” at the end of subparagraph (J), by striking the period at the end of subparagraph (K) and inserting “, or”, and by inserting after subparagraph (K) the following new subparagraph:

“(L) expenditures for which a deduction is allowed under section 179E.”.

(5) Section 312(k)(3)(B) is amended by striking “179, 179A, 179B, 179C, or 179D” each place it appears in the heading and text and inserting “179, 179A, 179B, 179C, 179D, or 179E”.

(6) The table of sections for part VI of subchapter B is amended by inserting after the item relating to section 179D the following new item:

“Sec. 179E. Energy efficient low-rise buildings deduction.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred in taxable years beginning after the date of the enactment of this Act.

**SEC. 214. ENERGY EFFICIENT PROPERTY DEDUCTION.**

(a) IN GENERAL.—Part VI of subchapter B of chapter 1, as amended by section 213, is amended by inserting after section 179E the following new section:

**“SEC. 179F. ENERGY EFFICIENT PROPERTY.**

“(a) IN GENERAL.—There shall be allowed as a deduction an amount equal to the energy efficient property expenditures paid or incurred by the taxpayer during the taxable year

“(b) LIMITATION.—The amount of the deduction allowed under subsection (a) for any taxable years shall not exceed—

“(1) \$150 for any advanced main air circulating fan,

“(2) \$450 for any qualified natural gas furnace or qualified propane furnace,

“(3) \$900 for—

“(A) any item of energy-efficient building property, and

“(B) any qualified oil furnace, qualified natural gas hot water boiler, qualified propane hot water boiler, or qualified oil hot water boiler.

“(4) \$9 with respect to each peak watt of capacity of solar electric property,

“(5) in the case of solar hot water property, an amount equal to—

“(A) in the case of a dwelling unit which uses electricity to heat water, \$1 with respect to each kilowatt per year of savings of such solar hot water property, or

“(B) in the case of a dwelling unit which uses natural gas to heat water, \$21 with respect to each annual Therm of natural gas savings of such solar hot water property.

For purposes of paragraph (5), savings shall be determined under regulations prescribed by the Secretary based on the OG-300 Standard for the Annual Performance of OG-300 Certified Systems of the Solar Rating and Certification Corporation.

“(c) ENERGY EFFICIENT PROPERTY EXPENDITURES.—For purposes of this section—

“(1) IN GENERAL.—The term ‘energy efficient property expenditures’ means expendi-

tures paid by the taxpayer for qualified energy property which is—

“(A) of a character subject to the allowance for depreciation, and

“(B) originally placed in service by the taxpayer.

“(2) QUALIFIED ENERGY PROPERTY.—

“(A) IN GENERAL.—The term ‘qualified energy property’ has the meaning given such term by section 25C(d)(2), except that such term shall include solar electric property and solar hot water property.

“(B) SOLAR ELECTRIC PROPERTY.—The term ‘solar electric property’ means property which uses solar energy to generate electricity.

“(C) SOLAR HOT WATER PROPERTY.—The term ‘solar hot water property’ means property used to heat water if at least half of the energy used by such property for such purpose is derived from the sun.

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

“(e) TERMINATION.—This section shall not apply with respect to any property placed in service after December 31, 2010.”.

(b) NO DOUBLE BENEFIT.—Section 179D(c) is amended by adding at the end the following new paragraph:

“(3) CERTAIN PROPERTY EXCLUDED.—The term ‘energy efficient commercial building property’ does not include any property with respect to which a credit has been allowed to the taxpayer under section 179F.”.

(c) CONFORMING AMENDMENTS.—

(1) Section 1016(a), as amended by section 213, is amended by striking “and” at the end of paragraph (38), by striking the period at the end of paragraph (39) and inserting “, and”, and by adding at the end the following new paragraph:

“(40) to the extent provided in section 179E(e).”.

(2) Section 1245(a), as amended by section 213 is amended by inserting “179F,” after “179E,” both places it appears in paragraphs (2)(C) and (3)(C).

(3) Section 1250(b)(3), as amended by section 213, is amended by inserting “or 179F” after “section 179E”.

(4) Section 263(a)(1), as amended by section 213, is amended by striking “or” at the end of subparagraph (K), by striking the period at the end of subparagraph (L) and inserting “, or”, and by inserting after subparagraph (L) the following new subparagraph:

“(M) expenditures for which a deduction is allowed under section 179F.”.

(5) Section 312(k)(3)(B), as amended by section 213, is amended by striking “179, 179A, 179B, 179C, 179D, or 179E” each place it appears in the heading and text and inserting “179, 179A, 179B, 179C, 179D, 179E, or 179F”.

(6) The table of sections for part VI of subchapter B is amended by inserting after the item relating to section 179E the following new item:

“Sec. 179F. Energy efficient property.”.

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

**SEC. 215. EXTENSION OF INVESTMENT TAX CREDIT WITH RESPECT TO SOLAR ENERGY PROPERTY AND QUALIFIED FUEL CELL PROPERTY.**

(a) SOLAR ENERGY PROPERTY.—Paragraphs (2)(A)(i)(II) and (3)(A)(ii) of section 48(a) are each amended by striking “2008” and inserting “2012”.

(b) ELIGIBLE FUEL CELL PROPERTY.—Paragraph (1)(E) of section 48(c) is amended by striking “2007” and inserting “2011”.

**Subtitle C—Incentives for Energy Savings Certifications**

**SEC. 221. CREDIT FOR ENERGY SAVINGS CERTIFICATIONS.**

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new section:

**“SEC. 45N. ENERGY SAVINGS CERTIFICATION CREDIT.**

“(a) IN GENERAL.—For purposes of section 38, the energy savings certification credit determined under this section for any taxable year is an amount equal to the sum of—

“(1) the qualified training and certification costs paid or incurred by the taxpayer which may be taken into account for such taxable year, plus

“(2) the qualified certification equipment expenditures paid or incurred by the taxpayer which may be taken into account for such taxable year.

“(b) QUALIFIED TRAINING AND CERTIFICATION COSTS.—

“(1) IN GENERAL.—The term ‘qualified training and certification costs’ means costs paid or incurred for training which is required for the taxpayer or employees of the taxpayer to be certified by the Secretary under section 25D(d)(2)(B) or 179E(d)(2)(B) for the purpose of certifying energy savings.

“(2) LIMITATION.—The qualified training and certification costs taken into account under subsection (a)(1) for the taxable year with respect to any individual shall not exceed \$500 reduced by the amount of the credit allowed under subsection (a)(1) to the taxpayer (or any predecessor) with respect to such individual for all prior taxable years.

“(3) YEAR COSTS TAKEN INTO ACCOUNT.—Qualified training and certifications costs with respect to any individual shall not be taken into account under subsection (a)(1) before the taxable year in which the individual with respect to whom such costs are paid or incurred has performed 25 certifications under sections 25E(d)(2)(A) and 179E(d)(2)(A).

“(c) QUALIFIED CERTIFICATION EQUIPMENT EXPENDITURES.—

“(1) IN GENERAL.—The term ‘qualified training equipment expenditures’ means costs paid or incurred for—

“(A) blower doors,

“(B) duct leakage testing equipment,

“(C) flue gas combustion equipment, and

“(D) digital manometers.

“(2) LIMITATION.—

“(A) IN GENERAL.—The qualified certification equipment expenditures taken into account under subsection (a)(2) with respect to any taxpayer for any taxable year shall not exceed \$1,000.

“(B) LIMITATION ON INDIVIDUAL ITEMS.—The qualified certification equipment expenditures taken into account under subsection (a)(2) shall not exceed—

“(i) \$500 with respect to any blower door or duct leakage testing equipment, and

“(ii) \$100 with respect to any flue gas combustion equipment or digital manometer.

“(3) YEAR EXPENDITURES TAKEN INTO ACCOUNT.—The qualified certification equipment expenditures of any taxpayer shall not be taken into account under subsection (a)(2) before the taxable year in which the taxpayer has performed 25 certifications under sections 25E(d)(2)(A) and 179E(d)(2)(A).

“(d) SPECIAL RULES.—

“(1) AGGREGATION RULES.—For purposes of this section, all persons treated as a single employer under subsections (a) and (b) of section 52 shall be treated as 1 person.

“(2) BASIS REDUCTION.—The basis of any property shall be reduced by the portion of the cost of such property taken into account under subsection (a).

“(3) DENIAL OF DOUBLE BENEFIT.—

“(A) IN GENERAL.—No deduction shall be allowed for that portion of the expenses otherwise allowable as a deduction for the taxable year which is equal to the amount taken into account under subsection (a) for such taxable year.

“(B) AMOUNT PREVIOUSLY DEDUCTED.—No credit shall be allowed under subsection (a) with respect to any amount for which a deduction has been allowed in any preceding taxable year.”

(b) CREDIT TREATED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) is amended by striking “and” at the end of paragraph (29), by striking the period at the end of paragraph (30) and inserting “plus”, and by adding at the end the following new paragraph:

“(31) the energy savings certification credit determined under section 45N(a).”

(c) CONFORMING AMENDMENTS.—

(1) Section 1016(a), as amended by this title, is amended by striking “and” at the end of paragraph (39), by striking the period at the end of paragraph (40) and inserting “and”, and by adding at the end the following new paragraph:

“(41) to the extent provided in section 45N(d)(2).”

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

“Sec. 45N. Energy savings certification credit.”

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

**SA 4701.** Mr. DAYTON submitted an amendment intended to be proposed by him to the bill S. 3711, to enhance the energy independence and security of the United States by providing for exploration, development, and production activities for mineral resources in the Gulf of Mexico, and for other purposes; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

**SEC. \_\_\_\_ . PROHIBITION ON RESTRICTION OF INSTALLATION OF RENEWABLE FUEL PUMPS.**

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

**“SEC. 107. PROHIBITION ON RESTRICTION OF INSTALLATION OF RENEWABLE FUEL PUMPS.**

“(a) DEFINITION OF FRANCHISE-RELATED DOCUMENT.—In this section, the term ‘franchise-related document’ means—

“(1) a franchise under this Act; and

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

“(b) PROHIBITIONS.—

“(1) IN GENERAL.—Notwithstanding any provision of a franchise-related document in effect on the date of enactment of this section, no franchisee or affiliate of a franchisee shall be restricted from—

“(A) installing on the marketing premises of the franchisee a renewable fuel pump;

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

“(C) advertising (including through the use of signage or logos) the sale of any renewable fuel; or

“(D) selling renewable fuel in any specified area on the marketing premises of the franchisee (including any area in which a

name or logo of a franchisor or any other entity appears).

“(2) ENFORCEMENT.—Any restriction described in paragraph (1) that is contained in a franchise-related document and in effect on the date of enactment of this section—

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

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

“(c) EXCEPTION TO 3-GRADE REQUIREMENT.—No franchise-related document that requires that 3 grades of gasoline be sold by the applicable franchisee shall prevent the franchisee from selling a renewable fuel in lieu of 1 grade of gasoline.”

(b) CONFORMING AMENDMENTS.—

(1) IN GENERAL.—Section 101(13) of the Petroleum Marketing Practices Act (15 U.S.C. 2801(13)) is amended by adjusting the indentation of subparagraph (C) appropriately.

(2) TABLE OF CONTENTS.—The table of contents of the Petroleum Marketing Practices Act (15 U.S.C. 2801) is amended—

(A) by inserting after the item relating to section 106 the following:

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

and

(B) by striking the item relating to section 202 and inserting the following:

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

**SA 4702.** Mr. DAYTON submitted an amendment intended to be proposed by him to the bill S. 3711, to enhance the energy independence and security of the United States by providing for exploration, development, and production activities for mineral resources in the Gulf of Mexico, and for other purposes; which was ordered to lie on the table; as follows:

At the end, add the following:

**SEC. 6. REPORT.**

Not later than October 31 of each year beginning after the date of enactment of this Act, the President shall submit to Congress a report that describes—

(1) the progress of the agencies of the Federal government (including the Executive Office of the President) in complying with—

(A) the Energy Policy Act of 1992 (42 U.S.C. 13201 et seq.); and

(B) Executive Order 13149 (65 Fed. Reg. 24607; relating to greening the government through Federal fleet and transportation efficiency);

(2) the number of fueling centers operated by each Federal agency;

(3) the number of the fueling centers that are equipped to supply renewable fuels; and

(4) which renewable fuel blends are offered at those fueling centers.

**SA 4703.** Mr. SHELBY proposed an amendment to the bill S. 3549, to amend the Defense Production Act of 1950 to strengthen Government review and oversight of foreign investment in the United States, to provide for enhanced Congressional Oversight with respect thereto, and for other purposes; as follows:

On page 3, line 8, strike “written notification” and insert the following: “a written request for review by a person involved in the transaction, or by one or more members of CFIUS.”

On page 3, line 10, strike “under this section” and insert “in accordance with paragraph (1)(A)”.

On page 3, line 24, strike “entity” and insert “person”.

On page 4, beginning on line 19, strike “additional assurances” and insert “assurances provided or renewed with the approval of CFIUS”.

On page 4, line 22, strike “and” and insert “or”.

On page 5, line 2, insert before the period the following: “, and the issues that could result in an impairment to national security are not resolved through negotiation of assurances between one or more members of CFIUS and the entities involved in the transaction”.

On page 5, strike line 22 and all that follows through page 6, line 6 and insert the following:

“(4) MONITORING OF WITHDRAWN TRANSACTIONS.—If the notification or filing with respect to a proposed transaction is withdrawn or rescinded, CFIUS shall continue to monitor such transaction, unless the transaction is terminated by agreement of the parties to the transaction. If CFIUS has reason to believe that the proposed transaction has not been so terminated, CFIUS shall initiate a review or investigation under this section if the parties do not resubmit the notification or filing within an appropriate period of time.”

On page 6, strike lines 7 through 23 and insert the following:

“(5) MANDATORY NOTIFICATION RELATED TO CERTAIN TRANSACTIONS AFFECTING NATIONAL SECURITY.—The chairperson and vice chairperson of CFIUS shall, not later than 90 days after the date of enactment of the Foreign Investment and National Security Act of 2006, issue rules, including the imposition of appropriate penalties for failure to comply with this paragraph, that require each person controlled by or acting on behalf of a foreign government to notify the chairperson of CFIUS in writing of any proposed transaction involving such person and United States critical infrastructure relating to United States national security.”

On page 8, line 17, strike “(or longer)”.

On page 9, line 3, strike “AND CLASSIFICATIONS”.

On page 9, line 15, strike “and classifying”.

On page 10, line 17, strike “and classification”.

On page 15, line 1, strike “ranking” and insert “assessments”.

On page 16, line 5, strike “ADDITIONAL”.

On page 17, line 6, insert “of CFIUS” after “vice chairperson”.

On page 19, line 12, strike “transaction” and all that follows through line 16 and insert “transaction; and”.

On page 20, line 3, insert “does or” before “does not”.

On page 23, strike lines 21 through 24.

On page 24, line 1, strike “(vi)” and insert “(v)”.

On page 24, line 10, strike “(vii)” and insert “(vi)”.

On page 24, line 17, strike “(vii)” and insert “(vi)”.

On page 27, line 4, strike “the term” and insert the following: “the term ‘assurances’ means any term, understanding, commitment, agreement, or limitation, however described, that relates to ameliorating in any way the potential effect of a transaction on the national security;

“(2) the term”.

On page 27, line 12, strike “(2)” and insert “(3)”.

On page 27, line 19, strike “(3)” and insert “(4)”.

On page 27, line 22, strike “(4)” and insert “(5)”.

On page 27, line 25, strike the period and all that follows through “The term includes” on page 28, line 1 and insert “, and includes”.

On page 28, line 5, strike “(5)” and insert “(6)”.

On page 28, line 11, strike “(6)” and insert “(7)”.

On page 28, line 14, strike “(7)” and insert “(8)”.

**SA 4704.** Mr. HARKIN (for himself, Mr. JOHNSON, Mr. BAYH, and Mr. OBAMA) submitted an amendment intended to be proposed by him to the bill S. 3711, to enhance the energy independence and security of the United States by providing for exploration, development, and production activities for mineral resources in the Gulf of Mexico, and for other purposes; which was ordered to lie on the table; as follows:

At the end, add the following:

**SEC. 6 RENEWABLE FUEL PROGRAM.**

Section 211(o)(2) of the Clean Air Act (42 U.S.C. 7545(o)(2)) is amended by striking subparagraph (B) and inserting the following:

“(B) APPLICABLE VOLUME.—For the purpose of subparagraph (A), the applicable volume for calendar years 2007 through 2010 shall be determined, by rule, by the Administrator, in consultation with the Secretary of Agriculture and the Secretary of Energy, in a manner that ensures that the applicable volume for calendar year 2010 and each calendar year thereafter is at least 10,000,000,000 gallons of renewable fuel.”

**SA 4705.** Mr. HARKIN (for himself, Mr. LUGAR, and Mr. JOHNSON) submitted an amendment intended to be proposed by him to the bill S. 3711, to enhance the energy independence and security of the United States by providing for exploration, development, and production activities for mineral resources in the Gulf of Mexico, and for other purposes; which was ordered to lie on the table; as follows:

At the end, add the following:

**SEC. 6. BIOFUELS SECURITY.**

(a) SHORT TITLE.—This section may be cited as the “Biofuels Security Act of 2006”.

(b) RENEWABLE FUELS.—

(1) RENEWABLE FUEL PROGRAM.—Section 211(o)(2) of the Clean Air Act (42 U.S.C. 7545(o)(2)) is amended by striking subparagraph (B) and inserting the following:

“(B) APPLICABLE VOLUME.—

“(i) IN GENERAL.—For the purpose of subparagraph (A), the applicable volume for calendar year 2010 and each calendar year thereafter shall be determined, by rule, by the Administrator, in consultation with the Secretary of Agriculture and the Secretary of Energy, in a manner that ensures that—

“(I) the requirements described in clause (ii) for specified calendar years are met; and

“(II) the applicable volume for each calendar year not specified in clause (ii) is determined on an annual basis.

“(ii) REQUIREMENTS.—The requirements referred to in clause (i) are—

“(I) for calendar year 2010, at least 10,000,000,000 gallons of renewable fuel;

“(II) for calendar year 2020, at least 30,000,000,000 gallons of renewable fuel; and

“(III) for calendar year 2030, at least 60,000,000,000 gallons of renewable fuel.”

(2) INSTALLATION OF E-85 FUEL PUMPS BY MAJOR OIL COMPANIES AT OWNED STATIONS AND BRANDED STATIONS.—Section 211(o) of the Clean Air Act (42 U.S.C. 7545(o)) is amended by adding at the end the following:

“(11) INSTALLATION OF E-85 FUEL PUMPS BY MAJOR OIL COMPANIES AT OWNED STATIONS AND BRANDED STATIONS.—

“(A) DEFINITIONS.—In this paragraph:

“(i) E-85 FUEL.—The term ‘E-85 fuel’ means a blend of gasoline approximately 85 percent of the content of which is derived from ethanol produced in the United States.

“(ii) MAJOR OIL COMPANY.—The term ‘major oil company’ means any person that, individually or together with any other person with respect to which the person has an affiliate relationship or significant ownership interest, has not less than 4,500 retail station outlets according to the latest publication of the Petroleum News Annual Factbook.

“(iii) SECRETARY.—The term ‘Secretary’ means the Secretary of Energy, acting in consultation with the Administrator of the Environmental Protection Agency and the Secretary of Agriculture.

“(B) REGULATIONS.—The Secretary shall promulgate regulations to ensure that each major oil company that sells or introduces gasoline into commerce in the United States through wholly-owned stations or branded stations installs or otherwise makes available 1 or more pumps that dispense E-85 fuel (including any other equipment necessary, such as including tanks, to ensure that the pumps function properly) at not less than the applicable percentage of the wholly-owned stations and the branded stations of the major oil company specified in subparagraph (C).

“(C) APPLICABLE PERCENTAGE.—For the purpose of subparagraph (B), the applicable percentage of the wholly-owned stations and the branded stations shall be determined in accordance with the following table:

| Calendar year:                          | Applicable percentage of wholly-owned stations and branded stations (percent): |
|---|--|
| 2007 .....                              | 5  |
| 2008 .....                              | 10   |
| 2009 .....                              | 15   |
| 2010 .....                              | 20   |
| 2011 .....                              | 25   |
| 2012 .....                              | 30   |
| 2013 .....                              | 35   |
| 2014 .....                              | 40   |
| 2015 .....                              | 45   |
| 2016 and each calendar year thereafter. | 50.  |

“(D) GEOGRAPHIC DISTRIBUTION.—

“(i) IN GENERAL.—Subject to clause (ii), in promulgating regulations under subparagraph (B), the Secretary shall ensure that each major oil company described in subparagraph (B) installs or otherwise makes available 1 or more pumps that dispense E-85 fuel at not less than a minimum percentage (specified in the regulations) of the wholly-owned stations and the branded stations of the major oil company in each State.

“(ii) REQUIREMENT.—In specifying the minimum percentage under clause (i), the Secretary shall ensure that each major oil company installs or otherwise makes available 1 or more pumps described in that clause in each State in which the major oil company operates.

“(E) FINANCIAL RESPONSIBILITY.—In promulgating regulations under subparagraph (B), the Secretary shall ensure that each major oil company described in that subparagraph assumes full financial responsibility for the costs of installing or otherwise making available the pumps described in that subparagraph and any other equipment necessary (including tanks) to ensure that the pumps function properly.

“(F) PRODUCTION CREDITS FOR EXCEEDING E-85 FUEL PUMPS INSTALLATION REQUIREMENT.—

“(i) EARNING AND PERIOD FOR APPLYING CREDITS.—If the percentage of the wholly-

owned stations and the branded stations of a major oil company at which the major oil company installs E-85 fuel pumps in a particular calendar year exceeds the percentage required under subparagraph (C), the major oil company earns credits under this paragraph, which may be applied to any of the 3 consecutive calendar years immediately after the calendar year for which the credits are earned.

“(ii) TRADING CREDITS.—Subject to clause (iii), a major oil company that has earned credits under clause (i) may sell credits to another major oil company to enable the purchaser to meet the requirement under subparagraph (C).

“(iii) EXCEPTION.—A major oil company may not use credits purchased under clause (ii) to fulfill the geographic distribution requirement in subparagraph (D).”.

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

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

(B) in subparagraph (D), by striking “fiscal year 1999 and thereafter” and inserting “each of fiscal years 1999 through 2006; and”; and

(C) by inserting after subparagraph (D) the following:

“(E) 100 percent in fiscal year 2007 and thereafter.”.

(4) APPLICATION OF GASOLIN COMPETITION ACT OF 1980.—Section 26 of the Clayton Act (15 U.S.C. 26a) is amended—

(A) by redesignating subsection (c) as subsection (d);

(B) by inserting after subsection (b) the following:

“(c) For purposes of subsection (a), restricting the right of a franchisee to install on the premises of that franchisee a renewable fuel pump, such as one that dispenses E85, shall be considered an unlawful restriction.”; and

(C) in subsection (d) (as redesignated by subparagraph (A))—

(i) by striking “section,” and inserting the following: “section—

“(1) the term”;

(ii) by striking the period at the end and inserting “; and”;

(iii) by adding at the end the following: “(2) the term ‘gasohol’ includes any blend of ethanol and gasoline such as E-85.”.

(C) DUAL FUELED AUTOMOBILES.—

(1) REQUIREMENT TO MANUFACTURE DUAL FUELED AUTOMOBILES.—

(A) REQUIREMENT.—

(i) IN GENERAL.—Chapter 329 of title 49, United States Code, is amended by inserting after section 32902 the following:

“§ 32902A. Requirement to manufacture dual fueled automobiles

“(a) REQUIREMENT.—Each manufacturer of new automobiles that are capable of operating on gasoline or diesel fuel shall ensure that the percentage of such automobiles, manufactured in any model year after model year 2006 and distributed in commerce for sale in the United States, which are dual fueled automobiles is equal to not less than the applicable percentage set forth in the following table:

| <b>“For each of the following model years:</b> | <b>The percentage of dual fueled automobiles manufactured shall be not less than:</b> |
|--|---|
| 2007 .....                                     | 10  |
| 2008 .....                                     | 20  |
| 2009 .....                                     | 30  |
| 2010 .....                                     | 40  |
| 2011 .....                                     | 50  |
| 2012 .....                                     | 60  |

| <b>“For each of the following model years:</b> | <b>The percentage of dual fueled automobiles manufactured shall be not less than:</b> |
|--|---|
| 2013 .....                                     | 70  |
| 2014 .....                                     | 80  |
| 2015 .....                                     | 90  |
| 2016 and beyond .....                          | 100.  |

“(b) PRODUCTION CREDITS FOR EXCEEDING FLEXIBLE FUEL AUTOMOBILE PRODUCTION REQUIREMENT.—

“(1) EARNING AND PERIOD FOR APPLYING CREDITS.—If the number of dual fueled automobiles manufactured by a manufacturer in a particular model year exceeds the number required under subsection (a), the manufacturer earns credits under this section, which may be applied to any of the 3 consecutive model years immediately after the model year for which the credits are earned.

“(2) TRADING CREDITS.—A manufacturer that has earned credits under paragraph (1) may sell credits to another manufacturer to enable the purchaser to meet the requirement under subsection (a).”.

(ii) TECHNICAL AMENDMENT.—The table of sections for chapter 329 of title 49, United States Code, is amended by inserting after the item relating to section 32902 the following:

“32902A. Requirement to manufacture dual fueled automobiles.”.

(B) ACTIVITIES TO PROMOTE THE USE OF CERTAIN ALTERNATIVE FUELS.—The Secretary of Transportation shall carry out activities to promote the use of fuel mixtures containing gasoline or diesel fuel and 1 or more alternative fuels, including a mixture containing at least 85 percent of methanol, denatured ethanol, and other alcohols by volume with gasoline or other fuels, to power automobiles in the United States.

(2) MANUFACTURING INCENTIVES FOR DUAL FUELED AUTOMOBILES.—Section 32905(b) of title 49, United States Code, is amended—

(A) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively;

(B) by inserting “(1)” before “Except”;

(C) by striking “model years 1993–2010” and inserting “model year 1993 through the first model year beginning not less than 18 months after the date of enactment of the Biofuels Security Act of 2006”; and

(D) by adding at the end the following:

“(2) Except as provided in paragraph (5) of this subsection, subsection (d) of this section, or section 32904(a)(2) of this title, the Administrator shall measure the fuel economy for each model of dual fueled automobiles manufactured by a manufacturer in the first model year beginning not less than 30 months after the date of enactment of the Biofuels Security Act of 2006 by dividing 1.0 by the sum of—

“(A) 0.7 divided by the fuel economy measured under section 32904(c) of this title when operating the model on gasoline or diesel fuel; and

“(B) 0.3 divided by the fuel economy measured under subsection (a) when operating the model on alternative fuel.

“(3) Except as provided in paragraph (5) of this subsection, subsection (d) of this section, or section 32904(a)(2) of this title, the Administrator shall measure the fuel economy for each model of dual fueled automobiles manufactured by a manufacturer in the first model year beginning not less than 42 months after the date of enactment of the Biofuels Security Act of 2006 by dividing 1.0 by the sum of—

“(A) 0.9 divided by the fuel economy measured under section 32904(c) of this title when operating the model on gasoline or diesel fuel; and

“(B) 0.1 divided by the fuel economy measured under subsection (a) when operating the model on alternative fuel.

“(4) Except as provided in subsection (d) of this section, or section 32904(a)(2) of this title, the Administrator shall measure the fuel economy for each model of dual fueled automobiles manufactured by a manufacturer in each model year beginning not less than 54 months after the date of enactment of the Biofuels Security Act of 2006 in accordance with section 32904(c) of this title.

“(5) Notwithstanding paragraphs (2) through (4) of this subsection, the fuel economy for all dual fueled automobiles manufactured to comply with the requirements under section 32902A(a) of this title, including automobiles for which dual fueled automobile credits have been used or traded under section 32902A(b) of this title, shall be measured in accordance with section 32904(c) of this title.”.

**SA 4706.** Mr. BAYH (for himself, Mr. BROWNBAC, Mr. LIEBERMAN, Mr. COLEMAN, Mr. SALAZAR, Mr. LUGAR, Mr. OBAMA, Mr. CHAFEE, Mr. AKAKA, Mrs. CLINTON, Ms. CANTWELL, Ms. COLLINS, Mr. KOHL, Mr. KERRY, Mr. KENNEDY, Mr. GRAHAM, Mr. MENENDEZ, Mr. DODD, and Mr. BINGAMAN) submitted an amendment intended to be proposed by him to the bill S. 3711, to enhance the energy independence and security of the United States by providing for exploration, development, and production activities for mineral resources in the Gulf of Mexico, and for other purposes; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

**TITLE —VEHICLE AND FUEL CHOICES FOR AMERICAN SECURITY**

**SEC. 01. 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) dependence on foreign oil has led to strategic partnerships with some regimes that do not share the democratic values of the United States;

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

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

(8) it is technically feasible to achieve oil savings of more than 2,500,000 barrels per day by 2017 and 7,000,000 barrels per day by 2026;

(9) 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 purchase fuel-efficient vehicles;

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

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

(10) 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;

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

(2) achieving those goals will help protect the economy of the United States from high and volatile oil prices; and

(3) 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; and

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

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

(1) to accelerate market penetration of 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; and

(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.

#### Subtitle A—Oil Savings Plan and Requirements

##### SEC. 11. 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 subtitle 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 12 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 15—

(A) 2,500,000 barrels of oil per day on average during calendar year 2016;

(B) 7,000,000 barrels of oil per day on average during calendar year 2026; and

(C) 10,000,000 barrels per day on average during calendar year 2031; and

(2) a Federal Government-wide analysis of—

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

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

##### SEC. 12. STANDARDS AND REQUIREMENTS.

(a) IN GENERAL.—On or before the date of publication of the action plan under section 11, 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 the President determines appropriate 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 re-

spective agency using authorities described in subsection (b).

(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) AGENCY ANALYSES.—Each proposed and final regulation promulgated under this section shall—

(1) be designed to achieve at least the oil savings resulting from the regulation under the action plan published under section 11; and

(2) be accompanied by an analysis by the applicable agency describing the manner in which the regulation will promote the achievement of the oil savings from the baseline determined under section 15.

##### SEC. 13. INITIAL EVALUATION.

(a) IN GENERAL.—Not later than 2 years after the date of enactment of this Act, the Director shall publish in the Federal Register a Federal Government-wide analysis of the oil savings achieved from the baseline established under section 15.

(b) INADEQUATE OIL SAVINGS.—If the oil savings are less than the targets established under section 11, simultaneously with the analysis required under subsection (a)—

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

(2) the Secretary of Energy, the Secretary of Transportation, and the Administrator shall propose new or revised regulations under subsections (a), (b), and (c), respectively, of section 12.

(c) FINAL REGULATIONS.—Not later than 180 days after the date on which regulations are proposed under subsection (b)(2), the Secretary of Energy, the Secretary of Transportation, and the Administrator shall promulgate final versions of those regulations.

##### SEC. 14. REVIEW AND UPDATE OF ACTION PLAN.

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

(1) evaluates the progress achieved in implementing the oil savings targets established under section 11;

(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 11; 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 11, simultaneously with the report required under subsection (a)—

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

(2) the Secretary of Energy, the Secretary of Transportation, and the Administrator shall propose new or revised regulations under subsections (a), (b), and (c), respectively, of section 12.

(c) FINAL REGULATIONS.—Not later than 180 days after the date on which regulations are

proposed under subsection (b)(2), the Secretary of Energy, the Secretary of Transportation, and the Administrator shall promulgate final versions of those regulations.

##### SEC. 15. 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 subtitle, 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 the President determines to be appropriate 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 2005”;

(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.

#### Subtitle B—Fuel Efficient Vehicles for the 21st Century

##### SEC. 21. 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 economy 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 2007 through 2011, such sums as may be necessary to carry out section 30123(d) of title 49, United States Code, as added by subsection (a).

#### SEC. 22. 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 2007 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. 23. 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

##### “CHAPTER 330—HEAVY DUTY VEHICLE FUEL ECONOMY STANDARDS

“Sec.

“33001. Purpose and policy.

“33002. Definition.

“33003. Testing and assessment.

“33004. Standards.

“33005. Authorization of appropriations.

##### “§ 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 max-

imum 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 the heavy truck manufacturing industry; 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) 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 2007 through 2011, such sums as may be necessary to carry out this chapter.”

#### SEC. 24. NEAR-TERM VEHICLE TECHNOLOGY PROGRAM.

(a) PURPOSES.—The purposes of this section are—

(1) to enable and promote, in partnership with industry, comprehensive development, demonstration, and commercialization of a wide range of electric drive components, systems, and vehicles using diverse electric drive transportation technologies;

(2) to 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;

(3) to expand the availability of the existing electric infrastructure for fueling light duty transportation and other on-road and nonroad vehicles that are using petroleum and are mobile sources of emissions—

(A) 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

(B) with the goal of enhancing the energy security of the United States, reduce dependence on imported oil, and reduce emissions through the expansion of grid supported mobility;

(4) to accelerate the widespread commercialization of all types of electric drive vehicle technology into all sizes and applications of vehicles, including commercialization of plug-in hybrid electric vehicles and plug-in hybrid fuel cell vehicles; and

(5) to improve the energy efficiency of and reduce the petroleum use in transportation.

(b) DEFINITIONS.—In this section:

(1) BATTERY.—The term “battery” means an 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.

(2) 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.

(3) 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.

(4) 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).

(5) NONROAD VEHICLE.—The term “nonroad vehicle” has the meaning given the term in section 216 of the Clean Air Act (42 U.S.C. 7550).

(6) PLUG-IN HYBRID ELECTRIC VEHICLE.—The term “plug-in hybrid electric vehicle” means an on-road or nonroad vehicle that is propelled by an internal combustion engine or heat engine using—

(A) any combustible fuel;

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

(C) a means of using an off-board source of electricity.

(7) PLUG-IN HYBRID FUEL CELL VEHICLE.—The term “plug-in hybrid fuel cell vehicle” means a fuel cell vehicle with a battery powered by an off-board source of electricity.

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

(1) high capacity, high efficiency batteries;

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

(3) high power drive train systems for passenger and commercial vehicles and for nonroad equipment;

(4) 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—

(A) development of efficient cooling systems;

(B) 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

(C) development of different control systems that optimize for different goals, including—

(i) battery life;

(ii) reduction of petroleum consumption; and

(iii) green house gas reduction;

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

(6) large-scale demonstrations, testing, and evaluation of plug-in hybrid electric vehicles in different applications with different batteries and control systems, including—

(A) military applications;

(B) mass market passenger and light-duty truck applications;

(C) private fleet applications; and

(D) medium- and heavy-duty applications;

(7) a nationwide education strategy for electric drive transportation technologies providing secondary and high school teaching materials and support for university education focused on electric drive system and component engineering;

(8) development, in consultation with the Administrator of the Environmental Protection Agency, of procedures for testing and certification of criteria pollutants, fuel economy, and petroleum use for light-, medium-, and heavy-duty vehicle applications, including consideration of—

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

(B) nightly off-board charging; and

(9) advancement of battery and corded electric transportation technologies in mobile source applications by—

(A) improvement in battery, drive train, and control system technologies; and

(B) working with industry and the Administrator of the Environmental Protection Agency to—

(i) understand and inventory markets; and

(ii) identify and implement methods of removing barriers for existing and emerging applications.

(d) GOALS.—The goals of the electric drive transportation technology program established under subsection (c) shall be to develop, in partnership with industry and institutions of higher education, projects that focus on—

(1) innovative electric drive technology developed in the United States;

(2) growth of employment in the United States in electric drive design and manufacturing;

(3) validation of the plug-in hybrid potential through fleet demonstrations; and

(4) 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.

(e) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section \$300,000,000 for each of fiscal years 2007 through 2012.

#### SEC. 25. 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 \$60,000,000 for each of fiscal years 2007 through 2012.

#### SEC. 26. 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.

“(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 consultation 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 principal 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. 27. 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 35 percent of so much of the qualified investment of an eligible taxpayer for such taxable year as does not exceed \$75,000,000.

“(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 or expand any manufacturing facility of the eligible taxpayer to produce advanced technology motor vehicles,

“(B) to re-equip, expand, or establish any manufacturing facility of the eligible taxpayer to produce eligible components,

“(C) for engineering integration performed in the United States of such vehicles and components as described in subsection (d), and

“(D) for research and development performed in the United States 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)), or

“(B) any new qualified hybrid motor vehicle (as defined in section 30B(d)(3)(A) and determined without regard to any gross vehicle weight rating).

“(2) 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)(C), 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 subsystems 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)(D) taken into account in determining the amount of the credit under subsection (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)(D) 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 (35), by striking the period at the end of paragraph (36) and inserting “, and”, and by adding at the end the following new paragraph:

“(37) 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, 2005.

#### SEC. 28. CONSUMER INCENTIVES TO PURCHASE ADVANCED TECHNOLOGY VEHICLES.

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

(1) IN GENERAL.—Section 30D 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)”.

(b) 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”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2005, in taxable years ending after such date.

#### SEC. 29. 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 2016 each Federal agency achieve at least a 30 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 2016, of the Federal vehicles required to be alternative 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 hybrid motor vehicles (including plug-in hybrid motor vehicles) or new advanced lean burn technology motor vehicles (as defined in section 30B(c)(3) of the Internal Revenue Code of 1986).

(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, 2007, 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 2007 through 2012.

#### SEC. 30. 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 125 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, 2005, 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. 31. 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.”,

(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. 32. INCREASING THE EFFICIENCY OF MOTOR VEHICLES.**

(a) **DEFINITIONS.**—In this section:

(1) **ALTERNATIVE FUEL.**—The term “alternative fuel” has the meaning given the term in section 32901(a) of title 49, United States Code.

(2) **E85.**—The term “E85” means a fuel blend containing 85 percent ethanol and 15 percent gasoline or diesel by volume.

(3) **FLEXIBLE FUEL MOTOR VEHICLE.**—The term “flexible fuel motor vehicle” means a light duty motor vehicle warranting by the manufacturer of the vehicle to operate on any combination of gasoline, E85, and M85.

(4) **HYBRID MOTOR VEHICLE.**—The term “hybrid motor vehicle” means a new qualified hybrid motor vehicle (as defined in section 30B(d)(3) of the Internal Revenue Code of 1986) that achieves at least 125 percent of the model year 2002 city fuel economy.

(5) **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.

(6) **M85.**—The term “M85” means a fuel blend containing 85 percent methanol and 15 percent gasoline or diesel by volume.

(7) **PLUG-IN HYBRID MOTOR VEHICLE.**—The term “plug-in hybrid electric vehicle” means a hybrid motor vehicle that—

(A) has an onboard, rechargeable storage device capable of propelling the vehicle solely by electricity for at least 10 miles; and  
(B) achieves at least 125 percent of the model year 2002 city fuel economy.

(8) **QUALIFIED MOTOR VEHICLE.**—The term “qualified motor vehicle” means—

(A) a new advanced lean burn technology motor vehicle (as defined in section 30B(c)(3) of the Internal Revenue Code of 1986) that achieves at least 125 percent of the model year 2002 city fuel economy;

(B) an alternative fueled automobile (as defined in section 32901(a) of title 49, United States Code);

(C) a flexible fuel motor vehicle;

(D) a new qualified fuel cell motor vehicle (as defined in section 30B(b)(3) of the Internal Revenue Code of 1986);

(E) a hybrid motor vehicle;

(F) a plug-in hybrid motor vehicle; and

(G) any other appropriate motor vehicle that uses substantially new technology and achieve at least 175 percent of the model year 2002 city fuel economy, as determined by the Secretary of Transportation, by regulation.

(b) **REQUIREMENTS.**—

(1) **MODEL YEAR 2012.**—Not less than 10 percent of light-duty motor vehicles manufactured for model year 2012 and sold in the United States shall be qualified motor vehicles.

(2) **MODEL YEAR 2013.**—Not less than 20 percent of light-duty motor vehicles manufactured for model year 2013 and sold in the United States shall be qualified motor vehicles.

(3) **MODEL YEAR 2014.**—Not less than 30 percent of light-duty motor vehicles manufactured for model year 2014 and sold in the United States shall be qualified motor vehicles.

(4) **MODEL YEAR 2015.**—Not less than 40 percent of light-duty motor vehicles manufactured for model year 2015 shall be qualified motor vehicles.

(5) **MODEL YEAR 2016.**—Not less than 50 percent of light-duty motor vehicles manufactured for model year 2016 shall be qualified motor vehicles.

(6) **MODEL YEARS 2017 AND THEREAFTER.**—Not less than 50 percent of light-duty motor vehicles manufactured for model year 2017 and each model year thereafter and sold in the United States shall be qualified motor vehicles, of which not less than 10 percent shall be—

(A) hybrid motor vehicles;

(B) plug-in hybrid motor vehicles;

(C) new advanced lean burn technology motor vehicles (as defined in section 30B(c)(3) of the Internal Revenue Code of 1986);

(D) new qualified fuel cell motor vehicles (as defined in section 30B(b)(3) of the Internal Revenue Code of 1986); or

(E) any other appropriate motor vehicle that uses substantially new technology and achieve at least 175 percent of the model year 2002 city fuel economy, as determined by the Secretary of Transportation, by regulation.

(c) **RULEMAKING.**—Not later than 1 year after the date of enactment of this Act, the Secretary of Transportation shall promulgate regulations to carry out this section.

**Subtitle C—Fuel Choices for the 21st Century**

**SEC. 41. INCREASE IN ALTERNATIVE FUEL VEHICLE REFUELING PROPERTY CREDIT.**

(a) **IN GENERAL.**—Subsection (a) of section 30C of the Internal Revenue Code of 1986 is amended by striking “30 percent” and inserting “50 percent”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to property placed in service after December 31, 2005, in taxable years ending after such date.

**SEC. 42. 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)(A) The Secretary of Energy shall obligate such sums as are available in the Trust Fund to establish a grant program to increase the number of locations at which consumers may purchase alternative fuels.

“(B)(i) The Secretary of Energy may award grants under this paragraph, in an amount equal to not more than \$150,000 per fueling station, to—

“(I) individual fueling stations; and

“(II) corporations (including nonprofit corporations) with demonstrated experience in the administration of grant funding for the purpose of alternative fueling infrastructure.

“(ii) In awarding grants under this paragraph, the Secretary shall consider the number of vehicles in service capable of using a specific type of alternative fuel.

“(iii) Grant recipients shall provide a non-Federal match of not less than \$1 for every \$3 of grant funds received under this paragraph.

“(iv) Each grant recipient shall select the locations for each alternative fuel station to be constructed with grant funds received under this paragraph on a formal, open, and competitive basis.

“(C) Grant funds received under this paragraph may be used to—

“(i) construct new facilities to dispense alternative fuels;

“(ii) purchase equipment to upgrade, expand, or otherwise improve existing alternative fuel facilities; or

“(iii) purchase equipment or pay for specific turnkey fueling services by alternative fuel providers.

“(D) Facilities constructed or upgraded with grant funds under this paragraph shall—

“(i) provide alternative fuel available to the public for a period not less than 4 years;

“(ii) establish a marketing plan to advance the sale and use of alternative fuels;

“(iii) prominently display the price of alternative fuel on the marquee and in the station;

“(iv) provide point of sale materials on alternative fuel;

“(v) clearly label the dispenser with consistent materials;

“(vi) price the alternative fuel at the same margin that is received for unleaded gasoline; and

“(vii) support and use all available tax incentives to reduce the cost of the alternative fuel to the lowest possible retail price.

“(E) Not later than the date on which each alternative fuel station begins to offer alternative fuel to the public, the grant recipient that used grant funds to construct such station shall notify the Secretary of Energy of such opening. The Secretary of Energy shall add each new alternative fuel station to the alternative fuel station locator on its Website when it receives notification under this subparagraph.

“(F) Not later than 6 months after the receipt of a grant award under this paragraph, and every 6 months thereafter, each grant recipient shall submit a report to the Secretary of Energy that describes—

“(i) the status of each alternative fuel station constructed with grant funds received under this paragraph;

“(ii) the amount of alternative fuel dispensed at each station during the preceding 6-month period; and

“(iii) the average price per gallon of the alternative fuel sold at each station during the preceding 6-month period.”.

#### SEC. 43. MINIMUM QUANTITY OF RENEWABLE FUEL DERIVED FROM CELLULOSIC BIOMASS.

Section 211(o)(2)(B) of the Clean Air Act (42 U.S.C. 7545(o)(2)(B)) is amended by striking clause (iii) and inserting the following:

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

“(I) IN GENERAL.—The applicable volume referred to in clause (ii) shall contain a minimum of—

“(aa) for each of calendar years 2010 through 2012, 75,000,000 gallons that are derived from cellulosic biomass; and

“(bb) for calendar year 2013 and each calendar year thereafter, 250,000,000 gallons that are derived from cellulosic biomass.

“(II) RATIO.—For calendar year 2010 and each calendar year thereafter, the 2.5-to-1 ratio referred to in paragraph (4) shall not apply.”.

#### SEC. 44. MINIMUM QUANTITY OF RENEWABLE FUEL DERIVED FROM SUGAR.

(a) IN GENERAL.—Section 211(o)(2)(B) of the Clean Air Act (42 U.S.C. 7545(o)(2)(B)) is amended by adding at the end the following:

“(v) MINIMUM QUANTITY DERIVED FROM SUGAR.—For calendar year 2008 and each calendar year thereafter, the applicable volume referred to in clause (ii) shall contain a minimum of 100,000,000 gallons that are derived from domestically-grown sugarcane, sugar beets, or sugar components.”.

(b) APPLICABLE VOLUME.—Section 211(o)(2)(B)(i) of the Clean Air Act (42 U.S.C. 7545(o)(2)(B)(i)) is amended—

(1) in the item relating to calendar year 2008, by striking “5.4” and inserting “5.5”;

(2) in the item relating to calendar year 2009, by striking “6.1” and inserting “6.2”;

(3) in the item relating to calendar year 2010, by striking “6.8” and inserting “6.9”;

(4) in the item relating to calendar year 2011, by striking “7.4” and inserting “7.5”;

and

(5) in the item relating to calendar year 2012, by striking “7.5” and inserting “7.6”.

#### SEC. 45. BIOENERGY RESEARCH AND DEVELOPMENT.

Section 931(c) of the Energy Policy Act of 2005 (42 U.S.C. 16231(c)) is amended—

(1) in paragraph (1), by striking “\$213,000,000” and inserting “\$326,000,000”;

(2) in paragraph (2), by striking “\$251,000,000” and inserting “\$377,000,000”;

and

(3) in paragraph (3), by striking “\$274,000,000” and inserting “\$398,000,000”.

#### SEC. 46. 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. 47. LOW-INTEREST LOAN AND GRANT PROGRAM FOR RETAIL DELIVERY OF E-85 FUEL.

(a) PURPOSES OF LOANS.—Section 312(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1942(a)) is amended—

(1) in paragraph (9)(B)(ii), by striking “or” at the end;

(2) in paragraph (10), by striking the period at the end and inserting “; or”; and

(3) by adding at the end the following:

“(11) building infrastructure, including pump stations, for the retail delivery to consumers of any fuel that contains not less than 85 percent ethanol, by volume.”.

(b) PROGRAM.—Subtitle B of the Consolidated Farm and Rural Development Act (7 U.S.C. 1941 et seq.) is amended by adding at the end the following:

“SEC. 320. LOW-INTEREST LOAN AND GRANT PROGRAM FOR RETAIL DELIVERY OF E-85 FUEL.

“(a) IN GENERAL.—The Secretary shall establish a low-interest loan and grant pro-

gram to assist farmer-owned ethanol producers (including cooperatives and limited liability corporations) to develop and build infrastructure, including pump stations, for the retail delivery to consumers of any fuel that contains not less than 85 percent ethanol, by volume.

“(b) TERMS.—

“(1) INTEREST RATE.—A low-interest loan under this section shall be fixed at not more than 5 percent for each year.

“(2) AMORTIZATION.—The repayment of a loan under this section shall be amortized over the expected life of the infrastructure project that is being financed with the proceeds of the loan.

“(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section.”.

(c) REGULATIONS.—As soon as practicable after the date of enactment of this Act, the Secretary of Agriculture shall promulgate such regulations as are necessary to carry out the amendments made by this section.

#### SEC. 48. 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 2007 through 2012.

**Subtitle D—Nationwide Energy Security Media Campaign**

**SEC. 51. 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 for 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 \$5,000,000 for each of fiscal years 2006 through 2010.

**SA 4707.** BAYH (for himself, Mr. BROWNBACK, Mr. LIEBERMAN, Mr. COLEMAN, Mr. SALAZAR, Mr. LUGAR, Mr. OBAMA, Mr. CHAFEE, Mr. AKAKA, Mrs. CLINTON, Mr. DODD, Mr. KOHL, Ms. CANTWELL, Mr. KERRY, Mr. GRAHAM, Mr. MENENDEZ, Ms. COLLINS, and Mr. BINGAMAN) submitted an amendment intended to be proposed by him to the bill S. 3711, to enhance the energy independence and security of the United States by providing for exploration, development, and production activities for mineral resources in the Gulf of Mexico, and for other purposes; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

**TITLE —VEHICLE AND FUEL CHOICES FOR AMERICAN SECURITY**

**Subtitle A—Oil Savings Plan and Requirements**

**SEC. 01. 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 subtitle 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 02 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 05—

(A) 2,500,000 barrels of oil per day on average during calendar year 2016;

(B) 7,000,000 barrels of oil per day on average during calendar year 2026; and

(C) 10,000,000 barrels per day on average during calendar year 2031; and

(2) a Federal Government-wide analysis of—

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

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

**SEC. 02. STANDARDS AND REQUIREMENTS.**

(a) IN GENERAL.—On or before the date of publication of the action plan under section 01, 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 the President determines appropriate 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).

(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) AGENCY ANALYSES.—Each proposed and final regulation promulgated under this section shall—

(1) be designed to achieve at least the oil savings resulting from the regulation under the action plan published under section 01; and

(2) be accompanied by an analysis by the applicable agency describing the manner in which the regulation will promote the achievement of the oil savings from the baseline determined under section 05.

**SEC. 03. INITIAL EVALUATION.**

(a) IN GENERAL.—Not later than 2 years after the date of enactment of this Act, the Director shall publish in the Federal Register a Federal Government-wide analysis of the oil savings achieved from the baseline established under section 05.

(b) INADEQUATE OIL SAVINGS.—If the oil savings are less than the targets established under section 01, simultaneously with the analysis required under subsection (a)—

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

(2) the Secretary of Energy, the Secretary of Transportation, and the Administrator shall propose new or revised regulations under subsections (a), (b), and (c), respectively, of section 02.

(c) FINAL REGULATIONS.—Not later than 180 days after the date on which regulations are proposed under subsection (b)(2), the Secretary of Energy, the Secretary of Transportation, and the Administrator shall promulgate final versions of those regulations.

**SEC. 04. REVIEW AND UPDATE OF ACTION PLAN.**

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

(1) evaluates the progress achieved in implementing the oil savings targets established under section 01;

(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 01; 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 01, simultaneously with the report required under subsection (a)—

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

(2) the Secretary of Energy, the Secretary of Transportation, and the Administrator shall propose new or revised regulations under subsections (a), (b), and (c), respectively, of section 02.

(c) FINAL REGULATIONS.—Not later than 180 days after the date on which regulations are proposed under subsection (b)(2), the Secretary of Energy, the Secretary of Transportation, and the Administrator shall promulgate final versions of those regulations.

**SEC. 05. 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 subtitle, 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 the President determines to be appropriate 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 2005";

(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.

**Subtitle B—Fuel Efficient Vehicles for the 21st Century**

**SEC. 21. 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 economy 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 2007 through 2011, such sums as may be necessary to carry out section 30123(d) of title 49, United States Code, as added by subsection (a).

**SEC. 22. 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 2007 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. 23. 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**

**"CHAPTER 330—HEAVY DUTY VEHICLE FUEL ECONOMY STANDARDS**

"Sec.

"33001. Purpose and policy.

"33002. Definition.

"33003. Testing and assessment.

"33004. Standards.

"33005. Authorization of appropriations.

**"§ 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 the heavy truck manufacturing industry; 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) 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 2007 through 2011, such sums as may be necessary to carry out this chapter.”.

#### SEC. 24. NEAR-TERM VEHICLE TECHNOLOGY PROGRAM.

(a) PURPOSES.—The purposes of this section are—

(1) to enable and promote, in partnership with industry, comprehensive development, demonstration, and commercialization of a wide range of electric drive components, systems, and vehicles using diverse electric drive transportation technologies;

(2) to 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;

(3) to expand the availability of the existing electric infrastructure for fueling light duty transportation and other on-road and nonroad vehicles that are using petroleum and are mobile sources of emissions—

(A) 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

(B) with the goal of enhancing the energy security of the United States, reduce dependence on imported oil, and reduce emissions through the expansion of grid supported mobility;

(4) to accelerate the widespread commercialization of all types of electric drive vehicle technology into all sizes and applications of vehicles, including commercialization of plug-in hybrid electric vehicles and plug-in hybrid fuel cell vehicles; and

(5) to improve the energy efficiency of and reduce the petroleum use in transportation.

(b) DEFINITIONS.—In this section:

(1) BATTERY.—The term “battery” means an 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.

(2) 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.

(3) 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.

(4) 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).

(5) NONROAD VEHICLE.—The term “nonroad vehicle” has the meaning given the term in section 216 of the Clean Air Act (42 U.S.C. 7550).

(6) PLUG-IN HYBRID ELECTRIC VEHICLE.—The term “plug-in hybrid electric vehicle” means an on-road or nonroad vehicle that is propelled by an internal combustion engine or heat engine using—

(A) any combustible fuel;

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

(C) a means of using an off-board source of electricity.

(7) PLUG-IN HYBRID FUEL CELL VEHICLE.—The term “plug-in hybrid fuel cell vehicle” means a fuel cell vehicle with a battery powered by an off-board source of electricity.

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

(1) high capacity, high efficiency batteries;

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

(3) high power drive train systems for passenger and commercial vehicles and for nonroad equipment;

(4) 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—

(A) development of efficient cooling systems;

(B) 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

(C) development of different control systems that optimize for different goals, including—

(i) battery life;

(ii) reduction of petroleum consumption; and

(iii) green house gas reduction;

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

(6) large-scale demonstrations, testing, and evaluation of plug-in hybrid electric vehicles in different applications with different batteries and control systems, including—

(A) military applications;

(B) mass market passenger and light-duty truck applications;

(C) private fleet applications; and

(D) medium- and heavy-duty applications;

(7) a nationwide education strategy for electric drive transportation technologies providing secondary and high school teaching materials and support for university education focused on electric drive system and component engineering;

(8) development, in consultation with the Administrator of the Environmental Protec-

tion Agency, of procedures for testing and certification of criteria pollutants, fuel economy, and petroleum use for light-, medium-, and heavy-duty vehicle applications, including consideration of—

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

(B) nightly off-board charging; and

(9) advancement of battery and corded electric transportation technologies in mobile source applications by—

(A) improvement in battery, drive train, and control system technologies; and

(B) working with industry and the Administrator of the Environmental Protection Agency to—

(i) understand and inventory markets; and

(ii) identify and implement methods of removing barriers for existing and emerging applications.

(d) GOALS.—The goals of the electric drive transportation technology program established under subsection (c) shall be to develop, in partnership with industry and institutions of higher education, projects that focus on—

(1) innovative electric drive technology developed in the United States;

(2) growth of employment in the United States in electric drive design and manufacturing;

(3) validation of the plug-in hybrid potential through fleet demonstrations; and

(4) 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.

(e) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section \$300,000,000 for each of fiscal years 2007 through 2012.

#### SEC. 25. 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 \$60,000,000 for each of fiscal years 2007 through 2012.

#### SEC. 26. 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.

“(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 consultation 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) 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 principal 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. 27. 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 2016 each Federal agency achieve at least a 30 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 2016, of the Federal vehicles required to be alternative 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 hybrid motor vehicles (including plug-in hybrid motor vehicles) or new advanced lean burn technology motor vehicles (as defined in section 30B(c)(3) of the Internal Revenue Code of 1986).

(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, 2007, 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 2007 through 2012.

**SEC. 28. INCREASING THE EFFICIENCY OF MOTOR VEHICLES.**

(a) DEFINITIONS.—In this section:

(1) ALTERNATIVE FUEL.—The term “alternative fuel” has the meaning given the term in section 32901(a) of title 49, United States Code.

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

(3) FLEXIBLE FUEL MOTOR VEHICLE.—The term “flexible fuel motor vehicle” means a light-duty motor vehicle warranted by the manufacturer of the vehicle to operate on any combination of gasoline, E85, and M85.

(4) HYBRID MOTOR VEHICLE.—The term “hybrid motor vehicle” means a new qualified hybrid motor vehicle (as defined in section 30B(d)(3) of the Internal Revenue Code of 1986) that achieves at least 125 percent of the model year 2002 city fuel economy.

(5) 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.

(6) M85.—The term “M85” means a fuel blend containing 85 percent methanol and 15 percent gasoline or diesel by volume.

(7) PLUG-IN HYBRID MOTOR VEHICLE.—The term “plug-in hybrid electric vehicle” means a hybrid motor vehicle that—

(A) has an onboard, rechargeable storage device capable of propelling the vehicle solely by electricity for at least 10 miles; and

(B) achieves at least 125 percent of the model year 2002 city fuel economy.

(8) QUALIFIED MOTOR VEHICLE.—The term “qualified motor vehicle” means—

(A) a new advanced lean burn technology motor vehicle (as defined in section 30B(c)(3) of the Internal Revenue Code of 1986) that achieves at least 125 percent of the model year 2002 city fuel economy;

(B) an alternative fueled automobile (as defined in section 32901(a) of title 49, United States Code);

(C) a flexible fuel motor vehicle;

(D) a new qualified fuel cell motor vehicle (as defined in section 30B(b)(3) of the Internal Revenue Code of 1986);

(E) a hybrid motor vehicle;

(F) a plug-in hybrid motor vehicle; and

(G) any other appropriate motor vehicle that uses substantially new technology and achieve at least 175 percent of the model year 2002 city fuel economy, as determined by the Secretary of Transportation, by regulation.

(b) REQUIREMENTS.—

(1) MODEL YEAR 2012.—Not less than 10 percent of light-duty motor vehicles manufactured for model year 2012 and sold in the United States shall be qualified motor vehicles.

(2) MODEL YEAR 2013.—Not less than 20 percent of light-duty motor vehicles manufactured for model year 2013 and sold in the United States shall be qualified motor vehicles.

(3) MODEL YEAR 2014.—Not less than 30 percent of light-duty motor vehicles manufactured for model year 2014 and sold in the United States shall be qualified motor vehicles.

(4) MODEL YEAR 2015.—Not less than 40 percent of light-duty motor vehicles manufactured for model year 2015 shall be qualified motor vehicles.

(5) MODEL YEAR 2016.—Not less than 50 percent of light-duty motor vehicles manufactured for model year 2016 shall be qualified motor vehicles.

(6) MODEL YEARS 2017 AND THEREAFTER.—Not less than 50 percent of light-duty motor vehicles manufactured for model year 2017 and each model year thereafter and sold in the United States shall be qualified motor vehicles, of which not less than 10 percent shall be—

(A) hybrid motor vehicles;

(B) plug-in hybrid motor vehicles;

(C) new advanced lean burn technology motor vehicles (as defined in section 30B(c)(3) of the Internal Revenue Code of 1986);

(D) new qualified fuel cell motor vehicles (as defined in section 30B(b)(3) of the Internal Revenue Code of 1986); or

(E) any other appropriate motor vehicle that uses substantially new technology and achieve at least 175 percent of the model year 2002 city fuel economy, as determined by the Secretary of Transportation, by regulation.

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

**Subtitle C—Fuel Choices for the 21st Century**

**SEC. 31. 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)(A) The Secretary of Energy shall obligate such sums as are available in the Trust Fund to establish a grant program to increase the number of locations at which consumers may purchase alternative fuels.

“(B)(i) The Secretary of Energy may award grants under this paragraph, in an amount equal to not more than \$150,000 per fueling station, to—

“(I) individual fueling stations; and

“(II) corporations (including nonprofit corporations) with demonstrated experience in the administration of grant funding for the purpose of alternative fueling infrastructure.

“(i) In awarding grants under this paragraph, the Secretary shall consider the number of vehicles in service capable of using a specific type of alternative fuel.

“(iii) Grant recipients shall provide a non-Federal match of not less than \$1 for every \$3 of grant funds received under this paragraph.

“(iv) Each grant recipient shall select the locations for each alternative fuel station to be constructed with grant funds received under this paragraph on a formal, open, and competitive basis.

“(C) Grant funds received under this paragraph may be used to—

“(i) construct new facilities to dispense alternative fuels;

“(ii) purchase equipment to upgrade, expand, or otherwise improve existing alternative fuel facilities; or

“(iii) purchase equipment or pay for specific turnkey fueling services by alternative fuel providers.

“(D) Facilities constructed or upgraded with grant funds under this paragraph shall—

“(i) provide alternative fuel available to the public for a period not less than 4 years;

“(ii) establish a marketing plan to advance the sale and use of alternative fuels;

“(iii) prominently display the price of alternative fuel on the marquee and in the station;

“(iv) provide point of sale materials on alternative fuel;

“(v) clearly label the dispenser with consistent materials;

“(vi) price the alternative fuel at the same margin that is received for unleaded gasoline; and

“(vii) support and use all available tax incentives to reduce the cost of the alternative fuel to the lowest possible retail price.

“(E) Not later than the date on which each alternative fuel station begins to offer alternative fuel to the public, the grant recipient that used grant funds to construct such station shall notify the Secretary of Energy of such opening. The Secretary of Energy shall add each new alternative fuel station to the alternative fuel station locator on its Website when it receives notification under this subparagraph.

“(F) Not later than 6 months after the receipt of a grant award under this paragraph, and every 6 months thereafter, each grant recipient shall submit a report to the Secretary of Energy that describes—

“(i) the status of each alternative fuel station constructed with grant funds received under this paragraph;

“(ii) the amount of alternative fuel dispensed at each station during the preceding 6-month period; and

“(iii) the average price per gallon of the alternative fuel sold at each station during the preceding 6-month period.”.

**SEC. 32. MINIMUM QUANTITY OF RENEWABLE FUEL DERIVED FROM CELLULOSIC BIOMASS.**

Section 211(o)(2)(B) of the Clean Air Act (42 U.S.C. 7545(o)(2)(B)) is amended by striking clause (iii) and inserting the following:

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

“(I) IN GENERAL.—The applicable volume referred to in clause (ii) shall contain a minimum of—

“(aa) for each of calendar years 2010 through 2012, 75,000,000 gallons that are derived from cellulosic biomass; and

“(bb) for calendar year 2013 and each calendar year thereafter, 250,000,000 gallons that are derived from cellulosic biomass.

“(II) RATIO.—For calendar year 2010 and each calendar year thereafter, the 2.5-to-1 ratio referred to in paragraph (4) shall not apply.”.

**SEC. 33. MINIMUM QUANTITY OF RENEWABLE FUEL DERIVED FROM SUGAR.**

(a) IN GENERAL.—Section 211(o)(2)(B) of the Clean Air Act (42 U.S.C. 7545(o)(2)(B)) is amended by adding at the end the following:

“(v) MINIMUM QUANTITY DERIVED FROM SUGAR.—For calendar year 2008 and each calendar year thereafter, the applicable volume referred to in clause (ii) shall contain a minimum of 100,000,000 gallons that are derived from domestically-grown sugarcane, sugar beets, or sugar components.”.

(b) APPLICABLE VOLUME.—Section 211(o)(2)(B)(i) of the Clean Air Act (42 U.S.C. 7545(o)(2)(B)(i)) is amended—

(1) in the item relating to calendar year 2008, by striking “5.4” and inserting “5.5”;

(2) in the item relating to calendar year 2009, by striking “6.1” and inserting “6.2”;

(3) in the item relating to calendar year 2010, by striking “6.8” and inserting “6.9”;

(4) in the item relating to calendar year 2011, by striking “7.4” and inserting “7.5”;

and

(5) in the item relating to calendar year 2012, by striking “7.5” and inserting “7.6”.

**SEC. 34. BIOENERGY RESEARCH AND DEVELOPMENT.**

Section 931(c) of the Energy Policy Act of 2005 (42 U.S.C. 16231(c)) is amended—

(1) in paragraph (1), by striking “\$213,000,000” and inserting “\$326,000,000”;

(2) in paragraph (2), by striking “\$251,000,000” and inserting “\$377,000,000”; and

(3) in paragraph (3), by striking “\$274,000,000” and inserting “\$398,000,000”.

**SEC. 35. PRODUCTION INCENTIVES FOR CELLULOSE 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. 36. LOW-INTEREST LOAN AND GRANT PROGRAM FOR RETAIL DELIVERY OF E-85 FUEL.**

(a) **PURPOSES OF LOANS.**—Section 312(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1942(a)) is amended—

(1) in paragraph (9)(B)(ii), by striking “or” at the end;

(2) in paragraph (10), by striking the period at the end and inserting “; or”; and

(3) by adding at the end the following:

“(11) building infrastructure, including pump stations, for the retail delivery to consumers of any fuel that contains not less than 85 percent ethanol, by volume.”.

(b) **PROGRAM.**—Subtitle B of the Consolidated Farm and Rural Development Act (7 U.S.C. 1941 et seq.) is amended by adding at the end the following:

**“SEC. 320. LOW-INTEREST LOAN AND GRANT PROGRAM FOR RETAIL DELIVERY OF E-85 FUEL.**

“(a) **IN GENERAL.**—The Secretary shall establish a low-interest loan and grant program to assist farmer-owned ethanol producers (including cooperatives and limited liability corporations) to develop and build infrastructure, including pump stations, for the retail delivery to consumers of any fuel that contains not less than 85 percent ethanol, by volume.

“(b) **TERMS.**—

“(1) **INTEREST RATE.**—A low-interest loan under this section shall be fixed at not more than 5 percent for each year.

“(2) **AMORTIZATION.**—The repayment of a loan under this section shall be amortized over the expected life of the infrastructure project that is being financed with the proceeds of the loan.

“(c) **AUTHORIZATION OF APPROPRIATIONS.**—There are authorized to be appropriated such sums as are necessary to carry out this section.”.

(c) **REGULATIONS.**—As soon as practicable after the date of enactment of this Act, the Secretary of Agriculture shall promulgate such regulations as are necessary to carry out the amendments made by this section.

**SEC. 37. 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 2007 through 2012.

**Subtitle D—Nationwide Energy Security Media Campaign****SEC. 41. 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 out-

reach, 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 \$5,000,000 for each of fiscal years 2006 through 2010.

**SA 4708.** Mr. BAYH (for himself, Mr. BROWNBAC, Mr. LIEBERMAN, Mr. COLEMAN, Mr. SALAZAR, Mr. LUGAR, Mr. OBAMA, Mr. CHAFEE, Mr. AKAKA, Mrs. CLINTON, Mr. DODD, Mr. KOHL, Ms. CANTWELL, Mr. KERRY, Mr. GRAHAM, Mr. MENENDEZ, Ms. COLLINS, and Mr. BINGAMAN) submitted an amendment intended to be proposed by him to the bill S. 3711, to enhance the energy independence and security of the United States by providing for exploration, development, and production activities for mineral resources in the Gulf of Mexico, and for other purposes; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

**TITLE —TAX INCENTIVES FOR VEHICLE AND FUEL CHOICES FOR AMERICAN SECURITY****Subtitle A—Fuel Efficient Vehicles for the 21st Century****SEC. 01. 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 35 percent of so much of the qualified investment of an eligible taxpayer for such taxable year as does not exceed \$75,000,000.

“(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 or expand any manufacturing facility of the eligible taxpayer to produce advanced technology motor vehicles,

“(B) to re-equip, expand, or establish any manufacturing facility of the eligible taxpayer to produce eligible components,

“(C) for engineering integration performed in the United States of such vehicles and components as described in subsection (d), and

“(D) for research and development performed in the United States 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)), or

“(B) any new qualified hybrid motor vehicle (as defined in section 30B(d)(3)(A) and determined without regard to any gross vehicle weight rating).

“(2) 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)(C), 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 components and subsystems 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)(D) taken into account in determining the amount of the credit under subsection (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)(D) 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.

“(1) 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 (35), by striking the period at the end of paragraph (36) and inserting “, and”, and by adding at the end the following new paragraph:

“(37) 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, 2005.

#### SEC. 02. CONSUMER INCENTIVES TO PURCHASE ADVANCED TECHNOLOGY VEHICLES.

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

(1) IN GENERAL.—Section 30D 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)”.

(b) 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”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2005, in taxable years ending after such date.

#### SEC. 03. 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 125 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, 2005, 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. 04. 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.”

(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:

“(i) 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.

#### Subtitle B—Fuel Choices for the 21st Century

##### SEC. 11. INCREASE IN ALTERNATIVE FUEL VEHICLE REFUELING PROPERTY CREDIT.

(a) IN GENERAL.—Subsection (a) of section 30C of the Internal Revenue Code of 1986 is amended by striking “30 percent” and inserting “50 percent”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after December 31, 2005, in taxable years ending after such date.

**SA 4709.** Mr. OBAMA (for himself, Mr. LUGAR, Mr. BIDEN, Mr. BINGAMAN, Mr. COLEMAN, Mr. SPECTER, Mr. SMITH, and Mr. HARKIN) submitted an amendment intended to be proposed by him to the bill S. 3711, to enhance the energy independence and security of the United States by providing for exploration, development, and production activities for mineral resources in the Gulf of Mexico, and for other purposes; which was ordered to lie on the table; as follows:

On page 18, after line 17, add the following:

#### SEC. 6. FUEL ECONOMY REFORM.

(a) SHORT TITLE.—This section may be cited as the “Fuel Economy Reform Act”.

(b) FINDINGS.—Congress makes the following findings:

(1) United States dependence on oil imports imposes tremendous burdens on America’s economy, foreign policy, and military.

(2) According to the Energy Information Administration, 60 percent of the crude oil and petroleum products consumed in the United States between April 2005 and March 2006 (12,400,000 barrels per day) was imported. At a cost of \$75 per barrel of oil, Americans remit more than \$600,000 per minute to other countries for petroleum, money that could have been spent creating domestic jobs and strengthening our Nation’s economy.

(3) A significant percentage of these petroleum imports originate in countries controlled by regimes that are unstable or openly hostile to the interests of the United States. Dependence on production from these countries contributes to the volatility of domestic and global markets and the “risk premium” paid by American consumers.

(4) The Energy Information Administration projects that the total petroleum demand in the United States will increase by 23 percent between 2006 and 2026, while domestic crude production is expected to decrease by 11 percent, resulting in an anticipated 28 percent increase in petroleum imports. Absent significant action, our Nation will become more vulnerable to oil price increases, more dependent upon foreign oil, and less able to pursue our national interests.

(5) America’s ability to broadly transition to alternative fuels, such as cellulosic ethanol and hydrogen, is predicated upon producing more fuel-efficient vehicles. Failure to do so would tax scarce resources and increase long-term costs.

(6) Two-thirds of all domestic oil use occurs in the transportation sector, which is 97 percent reliant upon petroleum-based fuels. Passenger vehicles, including light trucks under 10,000 pounds gross vehicle weight, represent over 60 percent of the oil used in the transportation sector.

(7) Corporate average fuel economy of all cars and trucks improved by 70 percent between 1975 and 1987. Between 1987 and 2006, fuel economy improvements have stagnated and are much worse than the vehicle fuel economy in many developed countries and some developing countries, including China.

(8) Significant improvements in engine technology occurred between 1986 and 2006.

These advances have been used to make vehicles larger and more powerful, rather than to increase fuel economy. Between 1985 and 2005, average vehicle horsepower nearly doubled, average vehicle weight increased by 25 percent, and acceleration times for new vehicles improved by 25 percent. During the same time period, average vehicle fuel economy decreased by 2 percent.

(9) According to a 2002 fuel economy report by the National Academies of Science, improvements in gasoline engine technology offer the opportunity to increase fuel economy by 50 percent, while maintaining vehicle size and performance and improving safety. The fleet analyzed by the Academies would average 37 miles per gallon. When the report was released in 2002, it noted that these technologies could be available for wide use within 10 to 15 years.

(10) The 2002 fuel economy report study clearly states that fuel economy can be increased without negatively impacting the safety of America's cars and trucks. Some new technologies can increase both safety and fuel economy (such as high strength materials, unibody design, lower bumpers). Design changes related to fuel economy also present opportunities to reduce the incompatibility of tall, stiff, heavy vehicles with the majority of vehicles on the road.

(11) A 2004 report by David Greene of Oak Ridge National Labs entitled, "The Effect of Fuel Economy on Automobile Safety: A Re-examination", demonstrates that fuel economy is not linked with increased fatalities. The report notes that, "higher mpg is significantly correlated with fewer fatalities". In other words, a thorough analysis of data from 1966 to 2002 indicates that vehicle manufacturers can simultaneously increase fuel economy and improve vehicle safety.

(12) A 2002 study entitled, "An Analysis of Traffic Deaths by Vehicle Type and Model", by Marc Ross and Tom Wenzel from the University of Michigan, demonstrates that large vehicles do not have lower fatality rates than smaller vehicles. Ross and Wenzel analyzed Federal accident data between 1995 and 1999 and showed that the Honda Civic and Volkswagen Jetta both had lower fatality rates for the driver than the Ford Explorer, the Dodge Ram, or the Toyota 4Runner. Even the largest vehicles, such as the Chevrolet Tahoe and Suburban, had fatality rates that were no better than the Jetta or the Nissan Maxima. In other words, a well-designed compact car can be safer than a sport-utility vehicle or a pickup truck. Design, rather than weight, is the key to vehicle safety.

(13) Significant change must occur to strengthen the economic competitiveness of the domestic auto industry. According to a recent study by the University of Michigan, a sustained gasoline price of \$2.86 per gallon would lead Detroit's Big 3 automakers' profits to shrink by \$7,000,000,000 as they absorb 75 percent of the lost vehicle sales. This would put nearly 300,000 Americans out of work.

(14) Opportunities exist to strengthen the domestic vehicle industry while improving fuel economy. A 2004 study performed by the University of Michigan concludes that the provision of \$1,500,000,000 in tax incentives over 10 years to enable the retrofit of domestic manufacturing and parts facilities to produce clean cars would lead to a gain of nearly 60,000 domestic jobs and pay for itself through the resulting increase in domestic tax receipts.

(c) DEFINITION OF AUTOMOBILE.—

(1) IN GENERAL.—Section 32901(a)(3) of title 49, United States Code, is amended by striking "rated at—" and all that follows through the period at the end and inserting "rated at

not more than 10,000 pounds gross vehicle weight."

(2) FUEL ECONOMY INFORMATION.—Section 32908(a) of title 49, United States Code, is amended, by striking "section—" and all that follows through "(2)" and inserting "section, the term".

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to model year 2009 and each subsequent model year.

(d) AVERAGE FUEL ECONOMY STANDARDS.—

(1) STANDARDS.—Section 32902 of title 49, United States Code, is amended—

(A) in subsection (a)—

(i) in the header, by inserting "MANUFACTURED BEFORE MODEL YEAR 2012" after "NON-PASSENGER AUTOMOBILES"; and

(ii) by adding at the end the following: "This subsection shall not apply to automobiles manufactured after model year 2011.";

(B) in subsection (b)—

(i) in the header, by inserting "MANUFACTURED BEFORE MODEL YEAR 2012" after "PASSENGER AUTOMOBILES";

(ii) by inserting "and before model year 2009" after "1984"; and

(iii) by adding at the end the following: "Such standard shall be increased by 4 percent per year for model years 2009 through 2011 (rounded to the nearest 1/10 mile per gallon)";

(C) by amending subsection (c) to read as follows:

"(c) AUTOMOBILES MANUFACTURED AFTER MODEL YEAR 2011.—(1) Not later than 18 months before the beginning of each model year after model year 2011, the Secretary of Transportation shall prescribe, by regulation—

"(A) an average fuel economy standard for automobiles manufactured by a manufacturer in that model year; or

"(B) based on 1 or more vehicle attributes that relate to fuel economy—

"(i) separate standards for different classes of automobiles; or

"(ii) standards expressed in the form of a mathematical function.

"(2)(A) Except as provided under paragraphs (3) and (4) and subsection (d), standards under paragraph (1) shall attain a projected aggregate level of average fuel economy of 27.5 miles per gallon for all automobiles manufactured by all manufacturers for model year 2012.

"(B) The projected aggregate level of average fuel economy for model year 2013 and each succeeding model year shall be increased by 4 percent from the level for the prior model year (rounded to the nearest 1/10 mile per gallon).

"(C) Notwithstanding subparagraphs (A) and (B), the fleetwide average fuel economy standard for passenger automobiles manufactured by a manufacturer in a model year for that manufacturer's domestic fleet and for its foreign fleet as calculated under section 32904 as in effect before the date of enactment of the Fuel Economy Reform Act shall not be less than 92 percent of the average fuel economy projected by the Secretary for the combined domestic and foreign fleets manufactured by all manufacturers in that model year.

"(3) If the actual aggregate level of average fuel economy achieved by manufacturers for each of 3 consecutive model years is at least 5 percent less than the projected aggregate level of average fuel economy for such model year, the Secretary shall make appropriate adjustments to the standards prescribed under this subsection.

"(4)(A) Notwithstanding paragraphs (1) through (3) and subsection (b), the Secretary of Transportation may prescribe a lower average fuel economy standard for 1 or more model years if the Secretary of Transpor-

tation, in consultation with the Secretary of Energy, determines that the minimum standards prescribed under paragraph (2) or (3) or subsection (b) for each model year—

"(i) are technologically unachievable;

"(ii) cannot be achieved without materially reducing the overall safety of automobiles manufactured or sold in the United States; or

"(iii) is shown, by clear and convincing evidence, not to be cost effective.

"(B) If a lower standard is prescribed for a model year under subparagraph (A), such standard shall be the maximum standard that—

"(i) is technologically achievable;

"(ii) can be achieved without materially reducing the overall safety of automobiles manufactured or sold in the United States; and

"(iii) is cost effective.

"(5) In determining cost effectiveness under paragraph (4)(A)(iii), the Secretary of Transportation shall take into account the total value to the Nation of reduced petroleum use, including the value of reducing external costs of petroleum use, using a value for such costs equal to 50 percent of the value of a gallon of gasoline saved or the amount determined in an analysis of the external costs of petroleum use that considers—

"(A) value to consumers;

"(B) economic security;

"(C) national security;

"(D) foreign policy;

"(E) the impact of oil use—

"(i) on sustained cartel rents paid to foreign suppliers;

"(ii) on long-run potential gross domestic product due to higher normal-market oil price levels, including inflationary impacts;

"(iii) on import costs, wealth transfers, and potential gross domestic product due to increased trade imbalances;

"(iv) on import costs and wealth transfers during oil shocks;

"(v) on macroeconomic dislocation and adjustment costs during oil shocks;

"(vi) on the cost of existing energy security policies, including the management of the Strategic Petroleum Reserve;

"(vii) on the timing and severity of the oil peaking problem;

"(viii) on the risk, probability, size, and duration of oil supply disruptions;

"(ix) on OPEC strategic behavior and long-run oil pricing;

"(x) on the short term elasticity of energy demand and the magnitude of price increases resulting from a supply shock;

"(xi) on oil imports, military costs, and related security costs, including intelligence, homeland security, sea lane security and infrastructure, and other military activities;

"(xii) on oil imports, diplomatic and foreign policy flexibility, and connections to geopolitical strife, terrorism, and international development activities;

"(xiii) all relevant environmental hazards under the jurisdiction of the Environmental Protection Agency; and

"(xiv) on well-to-wheels urban and local air emissions of 'pollutants' and their uninternalized costs;

"(F) the impact of the oil or energy intensity of the United States economy on the sensitivity of the economy to oil price changes, including the magnitude of gross domestic product losses in response to short term price shocks or long term price increases;

"(G) the impact of United States payments for oil imports on political, economic, and military developments in unstable or unfriendly oil exporting countries;

"(H) the uninternalized costs of pipeline and storage oil seepage, and for risk of oil

spills from production, handling, and transport, and related landscape damage; and

“(I) additional relevant factors, as determined by the Secretary.

“(6) When considering the value to consumers of a gallon of gasoline saved, the Secretary of Transportation may not use a value less than the greatest of—

“(A) the average national cost of a gallon of gasoline sold in the United States during the 12-month period ending on the date on which the new fuel economy standard is proposed;

“(B) the most recent weekly estimate by the Energy Information Administration of the Department of Energy of the average national cost of a gallon of gasoline (all grades) sold in the United States; or

“(C) the gasoline prices projected by the Energy Information Administration for the 20-year period beginning in the year following the year in which the standards are established.

“(7) In prescribing standards under this subsection, the Secretary may prescribe standards for 1 or more model years.

“(8)(A) Not later than December 31, 2016, the Secretary of Transportation, the Secretary of Energy, and the Administrator of the Environmental Protection Agency shall submit a joint report to Congress on the state of global automotive efficiency technology development, and on the accuracy of tests used to measure fuel economy of automobiles under section 32904(c), utilizing the study and assessment of the National Academy of Sciences referred to in subparagraph (B).

“(B) The Secretary shall enter into appropriate arrangements with the National Academy of Sciences to conduct a comprehensive study of the technological opportunities to enhance fuel economy and an analysis and assessment of the accuracy of fuel economy tests used by the Administrator of the Environmental Protection Agency to measure fuel economy for each model under section 32904(c). Such analysis and assessment shall identify any additional factors or methods that should be included in tests to measure fuel economy for each model to more accurately reflect actual fuel economy of automobiles. The Secretary and the Administrator of the Environmental Protection Agency shall furnish, at the request of the Academy, any information which the Academy determines to be necessary to conduct the study, analysis, and assessment under this subparagraph.

“(C) The report submitted under subparagraph (A) shall include—

“(i) the study of the National Academy of Sciences referred to in subparagraph (B); and

“(ii) an assessment by the Secretary of technological opportunities to enhance fuel economy and opportunities to increase overall fleet safety.

“(D) The report submitted under subparagraph (A) shall identify and examine additional opportunities to reform the regulatory structure under this chapter, including approaches that seek to merge vehicle and fuel requirements into a single system that achieves equal or greater reduction in petroleum use and environmental benefits.

“(E) The report submitted under subparagraph (A) shall—

“(i) include conclusions reached by the Administrator of the Environmental Protection Agency, as a result of detailed analysis and public comment, on the accuracy of current fuel economy tests;

“(ii) identify any additional factors that the Administrator determines should be included in tests to measure fuel economy for each model to more accurately reflect actual fuel economy of automobiles; and

“(iii) include a description of options, formulated by the Secretary and the Adminis-

trator, to incorporate such additional factors in fuel economy tests in a manner that will not effectively increase or decrease average fuel economy for any automobile manufacturer.

“(F) There is authorized to be appropriated to the Secretary such amounts as are required to carry out the study, analysis, and assessment required by subparagraph (B).”; and

(D) in subsection (g)(2), by striking “(and submit the amendment to Congress when required under subsection (c)(2) of this section)”.

(2) CONFORMING AMENDMENTS.—

(A) IN GENERAL.—Chapter 329 of title 49, United States Code, is amended—

(i) in section 32903—

(I) by striking “passenger” each place it appears;

(II) by striking “section 32902(b)–(d) of this title” each place it appears and inserting “subsection (c) or (d) of section 32902”;

(III) by striking subsection (e); and

(IV) by redesignating subsection (f) as subsection (e); and

(ii) in section 32904(a)—

(I) by striking “passenger” each place it appears; and

(II) in paragraph (1), by striking “subject to” and all that follows through “section 32902(b)–(d) of this title” and inserting “subsection (c) or (d) of section 32902”.

(B) EFFECTIVE DATE.—The amendments made by subparagraph (A) shall apply to automobiles manufactured after model year 2011.

(e) CREDIT TRADING AND COMPLIANCE.—

(1) CREDIT TRADING.—Section 32903(a) of title 49, United States Code, is amended—

(A) by inserting “Credits earned by a manufacturer under this section may be sold to any other manufacturer and used as if earned by that manufacturer; except that credits earned by a manufacturer described in section 32904(b)(1)(A)(i) may not be sold to or purchased by a manufacturer described in 32904(b)(1)(A)(ii).” after “earns credits.”; and

(B) by striking “3 consecutive model years immediately” each place it appears and inserting “model years”.

(2) TREATMENT OF IMPORTS.—

(A) CONFORMING AMENDMENT.—Section 32904(b) is amended by striking “passenger” each place it appears.

(B) APPLICABILITY.—The amendments made by subparagraph (A) shall apply to automobiles manufactured after model year 2011.

(3) MULTI-YEAR COMPLIANCE PERIOD.—Section 32904(c) of such title is amended—

(A) by inserting “(1)” before “The Administrator”; and

(B) by adding at the end the following:

“(2) The Secretary, by rule, may allow a manufacturer to elect a multi-year compliance period of not more than 4 consecutive model years in lieu of the single model year compliance period otherwise applicable under this chapter.”.

(f) CONSUMER TAX CREDIT.—

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

(A) IN GENERAL.—Section 30B of the Internal Revenue Code of 1986 is amended—

(i) in subsection (c)(2)(A), by inserting “and highway” after “city” in each place it appears;

(ii) in subsection (d)(2)(B)(ii), by inserting “and highway” after “city” in each place it appears;

(iii) by striking subsection (f);

(iv) by redesignating subsections (g) through (j) as subsections (f) through (i), respectively; and

(v) in subsection (g)(2), as redesignated, by inserting “and highway” after “city” in each place it appears.

(B) CONFORMING AMENDMENTS.—

(i) Paragraphs (4) and (6) of section 30B(h) of such Code are each amended by striking “(determined without regard to subsection (g))” and inserting “determined without regard to subsection (f))”.

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

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

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

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

(2) EXTENSION OF ALTERNATIVE VEHICLE CREDIT FOR NEW QUALIFIED HYBRID MOTOR VEHICLES.—Paragraph (3) of section 30B(i) of such Code (as redesignated by paragraph (1)) is amended by striking “December 31, 2009” and inserting “December 31, 2010”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to property placed in service after December 31, 2005, in taxable years ending after such date.

(g) ADVANCED TECHNOLOGY MOTOR VEHICLES MANUFACTURING 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.) is amended by adding at the end the following:

“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 35 percent of the qualified investment of an eligible taxpayer for such taxable year.

“(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 in the United States of the eligible taxpayer to produce advanced technology motor vehicles or to produce eligible components,

“(B) for engineering integration performed in the United States of such vehicles and components as described in subsection (d),

“(C) for research and development performed in the United States related to advanced technology motor vehicles and eligible components, and

“(D) for employee retraining with respect to the manufacturing of such vehicles or components (determined without regard to wages or salaries of such retrained employees).

“(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) DEFINITIONS.—In this section:

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

“(A) any qualified electric vehicle (as defined in section 30(c)(1)),

“(B) any new qualified fuel cell motor vehicle (as defined in section 30B(b)(3)),

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

“(D) any new qualified hybrid motor vehicle (as defined in section 30B(d)(2)(A) and determined without regard to any gross vehicle weight rating),

“(E) any new qualified alternative fuel motor vehicle (as defined in section 30B(e)(4), including any mixed-fuel vehicle (as defined in section 30B(e)(5)(B)), and

“(F) any other motor vehicle using electric drive transportation technology (as defined in paragraph (3)).

“(2) ELECTRIC DRIVE TRANSPORTATION TECHNOLOGY.—The term ‘electric drive transportation technology’ means technology used by vehicles that use an electric motor for all or part of their motive power and that may or may not use off-board electricity, such as battery electric vehicles, fuel cell vehicles, engine dominant hybrid electric vehicles, plug-in hybrid electric vehicles, and plug-in hybrid fuel cell vehicles.

“(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) accumulator or other energy storage device;

“(ii) hydraulic pump;

“(iii) hydraulic pump-motor assembly;

“(iv) power control unit; and

“(v) power controls;

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

“(i) diesel engine;

“(ii) turbo charger;

“(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.

“(4) ELIGIBLE TAXPAYER.—The term ‘eligible taxpayer’ means any taxpayer if more than 20 percent of the taxpayer’s gross receipts for the taxable year is derived from the manufacture of motor vehicles or any component parts of such vehicles.

“(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 subsystems 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) 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 ac-

count 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.

“(f) 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.

“(g) 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 subsection (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.

“(h) BUSINESS CARRYOVERS ALLOWED.—If the credit allowable under subsection (a) for a taxable year exceeds the limitation under subsection (e) 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 to each of the 15 taxable years immediately preceding the unused credit year and as a carryforward to each of the 20 taxable years immediately following the unused credit year.

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

“(j) 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.

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

“(1) TERMINATION.—This section shall not apply to any qualified investment after December 31, 2010.”

(2) CONFORMING AMENDMENTS.—

(A) 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:

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

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

(C) 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:

“Sec. 30D. Advanced technology motor vehicles manufacturing credit.”

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to

amounts incurred in taxable years beginning after December 31, 1999.

**SA 4710.** Mr. OBAMA (for himself and Mrs. CLINTON) submitted an amendment intended to be proposed by him to the bill S. 3711, to enhance the energy independence and security of the United States by providing for exploration, development, and production activities for mineral resources in the Gulf of Mexico, and for other purposes; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

**TITLE —HEALTH CARE FOR HYBRIDS**

**SEC. 01. SHORT TITLE.**

This title may be cited as the “Health Care for Hybrids Act”.

**SEC. 02. FINDINGS.**

Congress makes the following findings:

(1) The United States imports over half the oil it consumes.

(2) According to present trends, the United States reliance on foreign oil will increase to 68 percent of its total consumption by 2025.

(3) With only 3 percent of the world’s known oil reserves, the health of the United States economy is dependent on world oil prices.

(4) World oil prices are overwhelmingly dictated by countries other than the United States, thus endangering our economic and national security.

(5) Legacy health care costs associated with retiree workers are an increasing burden on the global competitiveness of American industries.

(6) American automakers have lagged behind their foreign competitors in producing hybrid and other energy efficient automobiles.

(7) Innovative uses of new technology in automobiles in the United States will help retain American jobs, support health care obligations for retiring workers in the automotive sector, decrease America’s dependence on foreign oil, and address pressing environmental concerns.

**Subtitle A—Program**

**SEC. 11. COORDINATING TASK FORCE.**

Not later than 6 months after the date of enactment of this Act, the Secretary of Energy, the Secretary of Health and Human Services, the Secretary of Transportation, and the Secretary of the Treasury shall establish, and appoint an equal number of representatives to, a task force (referred to in this Act as the “task force”) to administer the program established under this Act.

**SEC. 12. ESTABLISHMENT OF PROGRAM.**

(a) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, the task force established under section 11 shall establish a program to provide financial assistance to eligible domestic automobile manufacturers for the costs incurred in providing health benefits to their retired employees.

(b) CONSULTATION.—In establishing the program under subsection (a), the task force shall consult with representatives from the domestic automobile manufacturers, unions representing employees of such manufacturers, and consumer and environmental groups.

(c) ELIGIBLE DOMESTIC AUTOMOBILE MANUFACTURER.—To be eligible to receive financial assistance under the program established under subsection (a), a domestic automobile manufacturer shall—

(1) submit an application to the task force at such time, in such manner, and containing such information as the task force shall require;

(2) certify that such manufacturer is providing full health care coverage to all of its domestic employees;

(3) provide an assurance that the manufacturer will invest an amount equal to not less than 50 percent of the amount of health savings derived by the manufacturer as a result of its retiree health care costs being covered under the program under this section, in—

(A) the domestic manufacture and commercialization of petroleum fuel reduction technologies, including alternative or flexible fuel vehicles, hybrids, and other state-of-the-art fuel saving technologies;

(B) the retraining of workers and retooling of assembly lines for such domestic manufacture and commercialization;

(C) research and development, design, commercialization, and other costs related to the diversifying of domestic production of automobiles through the offering of high performance fuel efficient vehicles; and

(D) assisting domestic automobile component suppliers to retool their domestic manufacturing plants to produce components for petroleum fuel reduction technologies, including alternative or flexible fuel vehicles, hybrid, advanced diesel, or other state-of-the-art fuel saving technologies; and

(4) provide additional assurances and information as the task force may require, including information needed by the task force to audit the manufacturer's compliance with the requirements of the program.

(d) LIMITATION.—The total amount of financial assistance that may be provided each year under the program under this section with respect to any single domestic automobile manufacturer shall not exceed an amount equal to 10 percent of the retiree health care costs of that manufacturer for that year.

#### SEC. 13. REPORTING.

Not later than 6 months after the date of enactment of this Act, and every 6 months thereafter, the task force shall submit to Congress a report on any financial assistance provided under this program under this Act and the resulting changes in the manufacture and commercialization of fuel saving technologies implemented by auto manufacturers as a result of such financial assistance. Not later than 1 year after the date of enactment of this Act, the task force shall submit a report to Congress on the effectiveness of current consumer incentives available for the purchase of hybrid vehicles in encouraging the purchase of such vehicles and whether these incentives should be expanded.

#### SEC. 14. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated, such sums as may be necessary in each fiscal year to carry out this Act.

#### SEC. 15. LIMITATION ON BACKSLIDING.

To be eligible to receive financial assistance under this subtitle, a manufacturer shall provide assurances to the task force that fuel savings achieved with respect to its average adjusted fuel economy will not result in decreases with respect to fuel economy elsewhere in the domestic fleet. The task force shall determine compliance with such assurances using accepted measurements of fuel savings.

#### SEC. 16. TERMINATION OF PROGRAM.

The program established under this subtitle shall terminate on December 31, 2015.

#### Subtitle B—Offsets

#### SEC. 21. CLARIFICATION OF ECONOMIC SUBSTANCE DOCTRINE.

(a) IN GENERAL.—Section 7701 of the Internal Revenue Code of 1986 is amended by redesignating subsection (o) as subsection (p) and by inserting after subsection (n) the following new subsection:

“(o) CLARIFICATION OF ECONOMIC SUBSTANCE DOCTRINE; ETC.—

“(1) GENERAL RULES.—

“(A) IN GENERAL.—In any case in which a court determines that the economic substance doctrine is relevant for purposes of this title to a transaction (or series of transactions), such transaction (or series of transactions) shall have economic substance only if the requirements of this paragraph are met.

“(B) DEFINITION OF ECONOMIC SUBSTANCE.—For purposes of subparagraph (A)—

“(i) IN GENERAL.—A transaction has economic substance only if—

“(I) the transaction changes in a meaningful way (apart from Federal tax effects) the taxpayer's economic position, and

“(II) the taxpayer has a substantial nontax purpose for entering into such transaction and the transaction is a reasonable means of accomplishing such purpose.

In applying subclause (II), a purpose of achieving a financial accounting benefit shall not be taken into account in determining whether a transaction has a substantial nontax purpose if the origin of such financial accounting benefit is a reduction of income tax

“(ii) SPECIAL RULE WHERE TAXPAYER RELIES ON PROFIT POTENTIAL.—A transaction shall not be treated as having economic substance by reason of having a potential for profit unless—

“(I) the present value of the reasonably expected pre-tax profit from the transaction is substantial in relation to the present value of the expected net tax benefits that would be allowed if the transaction were respected, and

“(II) the reasonably expected pre-tax profit from the transaction exceeds a risk-free rate of return.

“(C) TREATMENT OF FEES AND FOREIGN TAXES.—Fees and other transaction expenses and foreign taxes shall be taken into account as expenses in determining pre-tax profit under subparagraph (B)(ii).

“(2) SPECIAL RULES FOR TRANSACTION WITH TAX-INDIFFERENT PARTIES.—

“(A) SPECIAL RULES FOR FINANCING TRANSACTIONS.—The form of a transaction which is in substance the borrowing of money or the acquisition of financial capital directly or indirectly from a tax-indifferent party shall not be respected if the present value of the deductions to be claimed with respect to the transaction is substantially in excess of the present value of the anticipated economic returns of the person lending the money or providing the financial capital. A public offering shall be treated as a borrowing, or an acquisition of financial capital, from a tax-indifferent party if it is reasonably expected that at least 50 percent of the offering will be placed with tax-indifferent parties.

“(B) ARTIFICIAL INCOME SHIFTING AND BASIS ADJUSTMENTS.—The form of a transaction with a tax-indifferent party shall not be respected if—

“(i) it results in an allocation of income or gain to the tax-indifferent party in excess of such party's economic income or gain, or

“(ii) it results in a basis adjustment or shifting of basis on account of overstating the income or gain of the tax-indifferent party.

“(3) DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

“(A) ECONOMIC SUBSTANCE DOCTRINE.—The term ‘economic substance doctrine’ means the common law doctrine under which tax benefits under subtitle A with respect to a transaction are not allowable if the transaction does not have economic substance or lacks a business purpose.

“(B) TAX-INDIFFERENT PARTY.—The term ‘tax-indifferent party’ means any person or

entity not subject to tax imposed by subtitle A. A person shall be treated as a tax-indifferent party with respect to a transaction if the items taken into account with respect to the transaction have no substantial impact on such person's liability under subtitle A.

“(C) EXCEPTION FOR PERSONAL TRANSACTIONS OF INDIVIDUALS.—In the case of an individual, this subsection shall apply only to transactions entered into in connection with a trade or business or an activity engaged in for the production of income.

“(D) TREATMENT OF LESSORS.—In applying paragraph (1)(B)(ii) to the lessor of tangible property subject to a lease—

“(i) the expected net tax benefits with respect to the leased property shall not include the benefits of—

“(I) depreciation,

“(II) any tax credit, or

“(III) any other deduction as provided in guidance by the Secretary, and

“(ii) subclause (II) of paragraph (1)(B)(ii) shall be disregarded in determining whether any of such benefits are allowable.

“(4) OTHER COMMON LAW DOCTRINES NOT AFFECTED.—Except as specifically provided in this subsection, the provisions of this subsection shall not be construed as altering or supplanting any other rule of law, and the requirements of this subsection shall be construed as being in addition to any such other rule of law.

“(5) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection. Such regulations may include exemptions from the application of this subsection.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after the date of the enactment of this Act.

#### SEC. 22. PENALTY FOR UNDERSTATEMENTS ATTRIBUTABLE TO TRANSACTIONS LACKING ECONOMIC SUBSTANCE, ETC.

(a) IN GENERAL.—Subchapter A of chapter 68 of the Internal Revenue Code of 1986 is amended by inserting after section 6662A the following new section:

#### “SEC. 6662A. PENALTY FOR UNDERSTATEMENTS ATTRIBUTABLE TO TRANSACTIONS LACKING ECONOMIC SUBSTANCE, ETC.

“(a) IMPOSITION OF PENALTY.—If a taxpayer has a noneconomic substance transaction understatement for any taxable year, there shall be added to the tax an amount equal to 40 percent of the amount of such understatement.

“(b) REDUCTION OF PENALTY FOR DISCLOSED TRANSACTIONS.—Subsection (a) shall be applied by substituting ‘20 percent’ for ‘40 percent’ with respect to the portion of any noneconomic substance transaction understatement with respect to which the relevant facts affecting the tax treatment of the item are adequately disclosed in the return or a statement attached to the return.

“(c) NONECONOMIC SUBSTANCE TRANSACTION UNDERSTATEMENT.—For purposes of this section—

“(1) IN GENERAL.—The term ‘noneconomic substance transaction understatement’ means any amount which would be an understatement under section 6662A(b)(1) if section 6662A were applied by taking into account items attributable to noneconomic substance transactions rather than items to which section 6662A would apply without regard to this paragraph.

“(2) NONECONOMIC SUBSTANCE TRANSACTION.—The term ‘noneconomic substance transaction’ means any transaction if—

“(A) there is a lack of economic substance (within the meaning of section 7701(o)(1)) for the transaction giving rise to the claimed

benefit or the transaction was not respected under section 7701(o)(2), or

“(B) the transaction fails to meet the requirements of any similar rule of law.

“(d) RULES APPLICABLE TO COMPROMISE OF PENALTY.—

“(1) IN GENERAL.—If the 1st letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Office of Appeals has been sent with respect to a penalty to which this section applies, only the Commissioner of Internal Revenue may compromise all or any portion of such penalty.

“(2) APPLICABLE RULES.—The rules of paragraphs (2) and (3) of section 6707A(d) shall apply for purposes of paragraph (1).

“(e) COORDINATION WITH OTHER PENALTIES.—Except as otherwise provided in this part, the penalty imposed by this section shall be in addition to any other penalty imposed by this title.

“(f) CROSS REFERENCES.—

“(1) For coordination of penalty with understatements under section 6662 and other special rules, see section 6662A(e).

“(2) For reporting of penalty imposed under this section to the Securities and Exchange Commission, see section 6707A(e).”.

(b) COORDINATION WITH OTHER UNDERSTATEMENTS AND PENALTIES.—

(1) The second sentence of section 6662(d)(2)(A) of the Internal Revenue Code of 1986 is amended by inserting “and without regard to items with respect to which a penalty is imposed by section 6662B” before the period at the end.

(2) Subsection (e) of section 6662A of the Internal Revenue Code of 1986 is amended—

(A) in paragraph (1), by inserting “and noneconomic substance transaction understatements” after “reportable transaction understatements” both places it appears,

(B) in paragraph (2)(A), by inserting “and a noneconomic substance transaction understatement” after “reportable transaction understatement”,

(C) in paragraph (2)(B), by inserting “6662B or” before “6663”,

(D) in paragraph (2)(C)(i), by inserting “or section 6662B” before the period at the end, (E) in paragraph (2)(C)(ii), by inserting “and section 6662B” after “This section”,

(F) in paragraph (3), by inserting “or noneconomic substance transaction understatement” after “reportable transaction understatement”, and

(G) by adding at the end the following new paragraph:

“(3) NONECONOMIC SUBSTANCE TRANSACTION UNDERSTATEMENT.—For purposes of this subsection, the term ‘noneconomic substance transaction understatement’ has the meaning given such term by section 6662B(c).”.

(3) Subsection (e) of section 6707A of the Internal Revenue Code of 1986 is amended—

(A) by striking “or” at the end of subparagraph (B), and

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

“(C) is required to pay a penalty under section 6662B with respect to any noneconomic substance transaction, or

“(D) is required to pay a penalty under section 6662(h) with respect to any transaction and would (but for section 6662A(e)(2)(C)) have been subject to penalty under section 6662A at a rate prescribed under section 6662A(c) or under section 6662B.”.

(c) CLERICAL AMENDMENT.—The table of sections for part II of subchapter A of chapter 68 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to section 6662A the following new item:

“Sec. 6662B. Penalty for understatements attributable to transactions lacking economic substance, etc.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions entered into after the date of the enactment of this Act.

**SEC. 23. DENIAL OF DEDUCTION FOR INTEREST ON UNDERPAYMENTS ATTRIBUTABLE TO NONECONOMIC SUBSTANCE TRANSACTIONS.**

(a) IN GENERAL.—Section 163(m) of the Internal Revenue Code of 1986 (relating to interest on unpaid taxes attributable to non-disclosed reportable transactions) is amended—

(1) by striking “attributable” and all that follows and inserting the following: “attributable to—

“(1) the portion of any reportable transaction understatement (as defined in section 6662A(b)) with respect to which the requirement of section 6664(d)(2)(A) is not met, or

“(2) any noneconomic substance transaction understatement (as defined in section 6662B(c)).”; and

(2) by inserting “and noneconomic substance transactions” after “transactions”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to transactions after the date of the enactment of this Act in taxable years ending after such date.

**SA 4711.** Mr. OBAMA (for himself and Mr. LUGAR) submitted an amendment intended to be proposed by him to the bill S. 3711, to enhance the energy independence and security of the United States by providing for exploration, development, and production activities for mineral resources in the Gulf of Mexico, and for other purposes; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

**TITLE —ALTERNATIVE FUELS**

**SEC. 01. OFFICE OF ENERGY SECURITY.**

(a) DEFINITIONS.—In this section:

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

(2) OFFICE.—The term “Office” means the Office of Energy Security established by subsection (b).

(b) ESTABLISHMENT.—There is established in the Executive Office of the President the Office of Energy Security.

(c) DIRECTOR.—

(1) IN GENERAL.—The Office shall be headed by a Director, who shall be appointed by the President, by and with the advice and consent of the Senate.

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

(d) RESPONSIBILITIES.—

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

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

(A) serve as head of the energy community;

(B) act as the principal advisor to the President, the National Security Council, the National Economic Council, the Domestic Policy Council, and the Homeland Security Council with respect to intelligence matters relating to energy security;

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

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

Budget with respect to each major Federal budgetary decision relating to energy security of the United States;

(ii) based on priorities established by the President, provide to the heads of departments containing agencies or organizations within the energy community, and to the heads of such agencies and organizations, guidance for use in developing the budget for Federal programs relating to energy security;

(iii) based on budget proposals provided to the Director by the heads of agencies and organizations described in clause (ii), develop and determine an annual consolidated budget for Federal programs relating to energy security; and

(iv) present the consolidated budget, together with any recommendations of the Director and any heads of agencies and organizations described in clause (ii), to the President for approval;

(D) establish and meet regularly with a council of business and labor leaders to develop and provide to the President and Congress recommendations relating to the impact of energy supply and prices on economic growth;

(E) submit to Congress an annual report that describes the progress of the United States toward the goal of achieving full energy independence; and

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

(e) STAFF.—

(1) IN GENERAL.—The Director may, without regard to the civil service laws (including regulations), appoint and terminate such personnel as are necessary to enable the Director to carry out the responsibilities of the Director under this section.

(2) COMPENSATION.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the Director may fix the compensation of personnel without regard to the provisions of chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to classification of positions and General Schedule pay rates.

(B) MAXIMUM RATE OF PAY.—The rate of pay for the personnel appointed by the Director shall not exceed the rate payable for level V of the Executive Schedule under section 5316 of title 5, United States Code.

(f) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as are necessary to carry out this section.

**SEC. 02. CREDIT FOR PRODUCTION OF QUALIFIED FLEXIBLE FUEL MOTOR VEHICLES.**

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

**“SEC. 45N. PRODUCTION OF QUALIFIED FLEXIBLE FUEL MOTOR VEHICLES.**

“(a) ALLOWANCE OF CREDIT.—For purposes of section 38, the qualified flexible fuel motor vehicle production credit determined under this section for any taxable year is an amount equal to \$100 for each qualified flexible fuel motor vehicle produced in the United States by the manufacturer during the taxable year.

“(b) QUALIFIED FLEXIBLE FUEL MOTOR VEHICLE.—For purposes of this section, the term ‘qualified flexible fuel motor vehicle’ means a flexible fuel motor vehicle—

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

“(A) the maximum credit allowable for vehicles described in paragraph (2) in determining the fleet average fuel economy requirements (as determined under section 32904 of title 49, United States Code) of the manufacturer for the model year ending in the taxable year, or

“(B) the requirements of any other provision of Federal law, and

“(2) which is designed so that the vehicle is propelled by an engine which can use as a fuel a gasoline mixture of which 85 percent (or another percentage of not less than 70 percent, as the Secretary may determine, by rule, to provide for requirements relating to cold start, safety, or vehicle functions) of the volume of consists of ethanol.

“(c) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

“(1) MOTOR VEHICLE.—The term ‘motor vehicle’ has the meaning given such term by section 30(c)(2).

“(2) MANUFACTURER.—The term ‘manufacturer’ has the meaning given such term in regulations prescribed by the Administrator of the Environmental Protection Agency for purposes of the administration of title II of the Clean Air Act (42 U.S.C. 7521 et seq.).

“(3) 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.

“(4) NO DOUBLE BENEFIT.—The amount of any deduction or credit allowable under this chapter (other than the credits allowable under this section and section 30B) shall be reduced by the amount of credit allowed under subsection (a) for such vehicle for the taxable year.

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

“(6) TERMINATION.—This section shall not apply to any vehicle produced after December 31, 2010.

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

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

“(iii) the credit determined under section 45N.”

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

“(e) ADDITIONAL CREDIT IN LIEU OF FLEXIBLE FUEL MOTOR VEHICLE CREDIT.—

“(1) IN GENERAL.—In the case of a taxpayer making an election under this subsection for a taxable year, the amount otherwise determined under subsection (c) shall be increased by any amount of the credit determined under section 45N for such taxable year which the taxpayer elects not to claim pursuant to such election.

“(2) ELECTION.—A taxpayer may make an election for any taxable year not to claim any amount of the credit allowable under section 45N with respect to property produced by the taxpayer during such taxable year. An election under this subsection may only be revoked with the consent of the Secretary.

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

(d) CONFORMING AMENDMENTS.—Section 38(b) of the Internal Revenue Code of 1986 is

amended by striking “and” at the end of paragraph (29), by striking the period at the end of paragraph (30) and inserting a comma, and by adding at the end the following new paragraph:

“(31) the qualified flexible fuel motor vehicle production credit determined under section 45N, plus”.

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

“Sec. 45N. Production of qualified flexible fuel motor vehicles”.

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

**SEC. 403. INCENTIVES FOR THE RETAIL SALE OF ALTERNATIVE FUELS AS MOTOR VEHICLE FUEL.**

(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 inserting after section 40A the following new section:

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

“(a) GENERAL RULE.—The alternative fuel retail sales credit for any taxable year is the applicable amount for each gallon of alternative fuel sold at retail by the taxpayer during such year.

“(b) APPLICABLE AMOUNT.—For purposes of this section, the applicable amount shall be determined in accordance with the following table:

| <b>“In the case of any sale:</b> | <b>The applicable amount for each gallon is:</b> |
|----------------------------------|--|
| Before 2009 .....                | 35 cents   |
| During 2009 or 2010 .....        | 20 cents   |
| During 2011 .....                | 10 cents.”                                       |

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

“(1) ALTERNATIVE FUEL.—The term ‘alternative fuel’ means any fuel at least 85 percent (or another percentage of not less than 70 percent, as the Secretary may determine, by rule, to provide for requirements relating to cold start, safety, or vehicle functions) of the volume of which consists of ethanol.

“(2) SOLD AT RETAIL.—

“(A) IN GENERAL.—The term ‘sold at retail’ means the sale, for a purpose other than resale, after manufacture, production, or importation.

“(B) USE TREATED AS SALE.—If any person uses alternative fuel (including any use after importation) as a fuel to propel any qualified alternative fuel motor vehicle (as defined in this section) before such fuel is sold at retail, then such use shall be treated in the same manner as if such fuel were sold at retail as a fuel to propel such a vehicle by such person.

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

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

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

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

“(D) which is made by a manufacturer.

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

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

“(f) TERMINATION.—This section shall not apply to any fuel sold at retail after December 31, 2011.”

(b) CREDIT TREATED AS BUSINESS CREDIT.—Section 38(b) of the Internal Revenue Code of 1986 (relating to current year business credit) (as amended by section 3(d)) is amended by adding at the end the following new paragraph:

“(32) the alternative fuel retail sales credit determined under section 40B(a).”

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

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

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

**SEC. 404. ALTERNATIVE DIESEL FUEL CONTENT OF DIESEL.**

(a) FINDINGS.—Congress finds that—

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

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

(3)(A) the renewable fuel program under section 211(o) of the Clean Air Act requires a small percentage of the gasoline motor pool, totaling nearly 140,000,000,000 gallons, to contain a renewable fuel; and

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

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

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

“(1) DEFINITION OF ALTERNATIVE DIESEL FUEL.—

“(A) IN GENERAL.—In this subsection, the term ‘alternative diesel fuel’ means biodiesel (as defined in section 312(f) of the Energy Policy Act of 1992 (42 U.S.C. 13220(f))) and any blending components derived from alternative fuel (provided that only the alternative fuel portion of any such blending component shall be considered to be part of the applicable volume under the alternative diesel fuel program established by this subsection).

“(B) INCLUSIONS.—The term ‘alternative diesel fuel’ includes a diesel fuel substitute produced from—

- “(i) animal fat;
- “(ii) vegetable oil;
- “(iii) recycled yellow grease;
- “(iv) thermal depolymerization;
- “(v) thermochemical conversion;
- “(vi) the coal-to-liquid process (including the Fischer-Tropsch process); or
- “(vii) a diesel-ethanol blend of not less than 7 percent ethanol.

“(2) ALTERNATIVE DIESEL FUEL PROGRAM.—

“(A) REGULATIONS.—

“(i) IN GENERAL.—Not later than 1 year after the date of enactment of this subsection, the Administrator shall promulgate regulations to ensure that diesel sold or introduced into commerce in the United States (except in noncontiguous States or territories), on an annual average basis, contains the applicable volume of alternative diesel fuel determined in accordance with subparagraph (B).

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

“(I) shall contain compliance provisions applicable to refineries, blenders, distributors, and importers, as appropriate, to ensure that the requirements of this paragraph are met; but

“(II) shall not—

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

“(bb) impose any per-gallon obligation for the use of alternative diesel fuel.

“(iii) REQUIREMENT IN CASE OF FAILURE TO PROMULGATE REGULATIONS.—If the Administrator fails to promulgate regulations under clause (i), the percentage of alternative diesel fuel in the diesel motor pool sold or dispensed to consumers in the United States, on a volume basis, shall be 0.6 percent for calendar year 2008.

“(B) APPLICABLE VOLUME.—

“(i) CALENDAR YEARS 2008 THROUGH 2015.—For the purpose of subparagraph (A), the applicable volume for any of calendar years 2008 through 2015 shall be determined in accordance with the following table:

| Applicable volume of Alternative diesel fuel in diesel motor pool (in millions of gallons): | Calendar year: |
|---|----------------|
| 250 .....   | 2008           |
| 500 .....   | 2009           |
| 750 .....   | 2010           |
| 1,000 .....   | 2011           |
| 1,250 .....   | 2012           |
| 1,500 .....   | 2013           |
| 1,750 .....   | 2014           |
| 2,000 .....   | 2015.          |

“(ii) CALENDAR YEAR 2016 AND THEREAFTER.—The applicable volume for calendar year 2016 and each calendar year thereafter shall be determined by the Administrator, in coordination with the Secretary of Agriculture and the Secretary of Energy, based on a review of the implementation of the program during calendar years 2008 through 2015, including a review of—

“(I) the impact of the use of alternative diesel fuels on the environment, air quality, energy security, job creation, and rural economic development; and

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

“(iii) MINIMUM APPLICABLE VOLUME.—For the purpose of subparagraph (A), the applicable volume for calendar year 2016 and each calendar year thereafter shall be equal to the product obtained by multiplying—

“(I) the number of gallons of diesel that the Administrator estimates will be sold or introduced into commerce during the calendar year; and

“(II) the ratio that—

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

“(bb) the number of gallons of diesel sold or introduced into commerce during calendar year 2015.

“(3) APPLICABLE PERCENTAGES.—

“(A) PROVISION OF ESTIMATE OF VOLUMES OF DIESEL SALES.—Not later than October 31 of each of calendar years 2007 through 2015, the

Administrator of the Energy Information Administration shall provide to the Administrator an estimate, with respect to the following calendar year, of the volumes of diesel projected to be sold or introduced into commerce in the United States.

“(B) DETERMINATION OF APPLICABLE PERCENTAGES.—

“(i) IN GENERAL.—Not later than November 30 of each of calendar years 2008 through 2015, based on the estimate provided under subparagraph (A), the Administrator shall determine and publish in the Federal Register, with respect to the following calendar year, the alternative diesel fuel obligation that ensures that the requirements of paragraph (2) are met.

“(ii) REQUIRED ELEMENTS.—The alternative diesel fuel obligation determined for a calendar year under clause (i) shall—

“(I) be applicable to refineries, blenders, and importers, as appropriate;

“(II) be expressed in terms of a volume percentage of diesel sold or introduced into commerce in the United States; and

“(III) subject to subparagraph (C), consist of a single applicable percentage that applies to all categories of persons described in subclause (I).

“(C) ADJUSTMENTS.—In determining the applicable percentage for a calendar year, the Administrator shall make adjustments to prevent the imposition of redundant obligations on any person described in subparagraph (B)(ii)(I).

“(4) CREDIT PROGRAM.—

“(A) IN GENERAL.—The regulations promulgated pursuant to paragraph (2)(A) shall provide for the generation of an appropriate amount of credits by any person that refines, blends, or imports diesel that contains a quantity of alternative diesel fuel that is greater than the quantity required under paragraph (2).

“(B) USE OF CREDITS.—A person that generates a credit under subparagraph (A) may use the credit, or transfer all or a portion of the credit to another person, for the purpose of complying with regulations promulgated pursuant to paragraph (2).

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

“(D) INABILITY TO GENERATE OR PURCHASE SUFFICIENT CREDITS.—The regulations promulgated pursuant to paragraph (2)(A) shall include provisions allowing any person that is unable to generate or purchase sufficient credits under subparagraph (A) to meet the requirements of paragraph (2) by carrying forward a credit generated during a previous year on the condition that the person, during the calendar year following the year in which the alternative diesel fuel deficit is created—

“(i) achieves compliance with the alternative diesel fuel requirement under paragraph (2); and

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

“(5) WAIVERS.—

“(A) IN GENERAL.—The Administrator, in consultation with the Secretary of Agriculture and the Secretary of Energy, may waive the requirements of paragraph (2) in whole or in part on receipt of a petition of 1 or more States by reducing the national quantity of alternative diesel fuel for the diesel motor pool required under paragraph (2) based on a determination by the Administrator, after public notice and opportunity for comment, that—

“(i) implementation of the requirement would severely harm the economy or environment of a State, a region, or the United States; or

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

“(B) PETITIONS FOR WAIVERS.—Not later than 90 days after the date on which the Administrator receives a petition under subparagraph (A), the Administrator, in consultation with the Secretary of Agriculture and the Secretary of Energy, shall approve or disapprove the petition.

“(C) TERMINATION OF WAIVERS.—

“(i) IN GENERAL.—Except as provided in clause (ii), a waiver under subparagraph (A) shall terminate on the date that is 1 year after the date on which the waiver is provided.

“(ii) EXCEPTION.—The Administrator, in consultation with the Secretary of Agriculture and the Secretary of Energy, may extend a waiver under subparagraph (A), as the Administrator determines to be appropriate.”

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

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

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

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

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

(2) in subsection (k)(10), by indenting subparagraphs (E) and (F) appropriately;

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

(4) by redesignating the second subsection (r) and subsection (s) as subsections (s) and (t), respectively; and

(5) in subsection (t)(1) (as redesignated by paragraph (4)), by striking “this subtitle” and inserting “this part”.

**SEC. 55. EXCISE TAX CREDIT FOR CELLULOSIC BIOMASS ETHANOL.**

(a) IN GENERAL.—Paragraph (2) of section 6426(b) of the Internal Revenue Code of 1986 (relating to alcohol fuel mixture credit) is amended by adding at the end the following new subparagraph:

“(C) CELLULOSIC BIOMASS ETHANOL.—In the case of an alcohol fuel mixture consisting of cellulosic biomass ethanol (as defined in section 211(o)(1)(A) of the Clean Air Act), the applicable amount is equal to the product of—

“(i) the amount specified in subparagraph (A), times

“(ii) the equivalent number of gallons of renewable fuel specified in section 211(o)(4) of such Act.”.

(b) CONFORMING AMENDMENT.—Section 6426(b)(2)(A) of such Code is amended by striking “subparagraph (B)” and inserting “subparagraphs (B) and (C)”.

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

**SEC. 56. INCENTIVE FOR FEDERAL AND STATE FLEETS FOR MEDIUM AND HEAVY DUTY HYBRIDS.**

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

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

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

(3) by inserting after paragraph (10) the following:

“(11) the term ‘hybrid vehicle’ means a vehicle powered both by a diesel or gasoline engine and an electric motor that is recharged as the vehicle operates;” and

(4) by inserting after paragraph (12) (as redesignated by paragraph (2)) the following:

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

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

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

**SEC. 07. PUBLIC ACCESS TO FEDERAL ALTERNATIVE REFUELING STATIONS.**

(a) DEFINITIONS.—In this section:

(1) ALTERNATIVE FUEL REFUELING STATION.—The term “alternative fuel refueling station” has the meaning given the term “qualified alternative fuel vehicle refueling property” in section 30C(c)(1) of the Internal Revenue Code of 1986.

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

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

(1) except as provided in subsection (d)(1), any Federal property that includes at least 1 fuel refueling station shall include at least 1 alternative fuel refueling station; and

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

(c) DURATION.—The requirements described in subsection (b) shall remain in effect until the sooner of—

(1) the date that is 7 years after the date of enactment of this Act; or

(2) the date on which the Secretary determines that not less than 5 percent of the commercial refueling infrastructure in the United States offers alternative fuels to the general public.

(d) EXCEPTIONS.—

(1) WAIVER.—Subsection (b)(1) shall not apply to any Federal property under the jurisdiction of a Federal agency if the Secretary determines that alternative fuel is not reasonably available to retail purchasers of the fuel, as certified by the head of the agency to the Secretary.

(2) NATIONAL SECURITY EXEMPTION.—Subsection (b)(2) does not apply to property of the Federal government that the Secretary, in consultation with the Secretary of Defense, has certified must be exempt for national security reasons.

(e) VERIFICATION OF COMPLIANCE.—The Secretary shall—

(1) monitor compliance with this section by all Federal agencies; and

(2) annually submit to Congress a report describing the extent of compliance with this section.

**SEC. 08. PURCHASE OF CLEAN FUEL BUSES.**

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

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

“(a) DEFINITION OF CLEAN FUEL BUS.—In this section, the term ‘clean fuel bus’ means a vehicle that—

“(1) is capable of being powered by—

“(A) compressed natural gas;

“(B) liquefied natural gas;

“(C) 1 or more batteries;

“(D) a fuel that is composed of at least 85 percent ethanol (or another percentage of not less than 70 percent, as the Secretary may determine, by rule, to provide for requirements relating to cold start, safety, or vehicle functions);

“(E) electricity (including a hybrid electric or plug-in hybrid electric vehicle);

“(F) a fuel cell; or

“(G) ultra-low sulfur diesel; and

“(2) has been certified by the Administrator of the Environmental Protection Agency to significantly reduce harmful emissions, particularly in a nonattainment area (as defined in section 171 of the Clean Air Act (42 U.S.C. 7501)).

“(b) PURCHASE OF BUSES.—A bus purchased using funds made available from the Mass Transit Account of the Highway Trust Fund shall be a clean fuel bus.”.

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

“5326. Clean fuel buses”.

**SEC. 09. DOMESTIC FUELS INFRASTRUCTURE FOR THE DEPARTMENT OF DEFENSE.**

(a) PROGRAM REQUIRED.—The Secretary of Defense shall carry out a program to evaluate the commercial and technical viability of advanced technologies for the production of alternative transportation fuels having applications for the Department of Defense. The program shall include the construction and operation of testing facilities in accordance with subsection (d).

(b) ALTERNATIVE TRANSPORTATION FUELS DEFINED.—For purposes of this section, the term “alternative transportation fuels” means—

(1) denatured ethanol and other alcohols;

(2) mixtures containing at least 85 percent (or another percentage of not less than 70 percent, as the Secretary may determine, by rule, to provide for requirements relating to cold start, safety, or vehicle functions) by volume of denatured ethanol, particularly ethanols derived from cellulosic biomass;

(3) coal-derived liquid fuels, including Fischer-Tropsch fuels;

(4) fuels (other than alcohol) derived from biological materials, including fuels derived from vegetable oils, animal fats, thermal depolymerization, or thermalchemical conversion; and

(5) any other fuel the Secretary determines, by rule, is substantially not petroleum and would yield substantial energy security benefits and substantial environmental benefits.

(c) COORDINATION OF EFFORTS.—

(1) IN GENERAL.—The Secretary of Defense shall carry out the program required by this section through the Under Secretary of Defense for Acquisition, Technology, and Logistics and in consultation with the Director of Defense Research and Engineering, the Advanced Systems and Concepts Office, the Secretary of Agriculture, and the Secretary of Energy.

(2) ROLE OF BIOMASS RESEARCH AND DEVELOPMENT TECHNOLOGIC ADVISORY COMMITTEE.—The consultations under paragraph (1) shall include the participation of the Biomass Research and Development Technical Advisory Committee established under section 306 of the Biomass Research and Development Act of 2000 (title III of Public Law 106-224; 7 U.S.C. 8101 note).

(d) FACILITIES FOR EVALUATING PRODUCTION OF ALTERNATIVE TRANSPORTATION FUELS.—

(1) IN GENERAL.—In carrying out the program required by this section, the Secretary of Defense shall provide for the construction or capital modification of—

(A) not more than 3 facilities for the purposes of evaluating the production from cellulosic biomass of alternative transportation fuels having applications for the Department of Defense; and

(B) not more than 3 facilities for the purposes of evaluating the production from coal

of alternative transportation fuels having applications for the Department of Defense, with not less than one of such facilities utilizing coal resources with a ranking by the American Society for Testing and Materials of high volatile bituminous B and C.

(2) LOCATION OF FACILITIES.—The facilities constructed under paragraph (1) for the purposes of cellulosic biomass shall—

(A) afford the efficient use of a diverse range of fuel sources; and

(B) give initial preference to existing domestic facilities with current or potential capacity for cellulosic or coal conversion.

(3) CAPACITY OF FACILITIES.—Each facility constructed under paragraph (1) shall have the flexibility for producing commercial volumes of alternative transportation fuels such that when the facility demonstrates economic viability of the process it can provide commercial production for the region in which it is located.

(4) AUTHORITY TO ENTER INTO TRANSACTIONS FOR FACILITY CONSTRUCTION.—The Secretary of Defense shall seek to construct the facilities required by paragraph (1) at the lowest cost practicable. The Secretary may make grants, enter into agreements, and provide loans or loan guarantees to corporations, cooperatives, and consortia of such entities for such purposes.

(5) EVALUATIONS AT FACILITIES.—Not later than 5 years after the date of enactment of this Act, the Secretary of Defense shall begin at the facilities described in paragraph (1) evaluations of the technical and commercial viability of different processes of producing alternative transportation fuels having Department of Defense applications from cellulosic biomass or coal.

(e) PROGRAM MILESTONES.—In carrying out the program required by this section, the Secretary of Defense shall meet the following milestones:

(1) SELECTION OF TESTING PROCESSES.—Not later than 180 days after the date of enactment of this Act, the Secretary shall select processes for evaluating the technical and commercial viability of producing alternative fuels from cellulosic biomass or coal.

(2) INITIATION OF WORK AT EXISTING FACILITIES.—Not later than one year after the date of enactment of this Act, the Secretary shall enter into agreements to carry out testing under this section at existing facilities.

(3) CONSTRUCTION AGREEMENTS.—Not later than one year after the date of enactment of this Act, the Secretary shall enter into agreements for the capital modification or construction of facilities under subsection (d)(1).

(4) COMPLETION OF ENGINEERING AND DESIGN WORK.—Not later than three years after the date of enactment of this Act, the Secretary shall complete capital modifications of existing facilities and the engineering and design work necessary for the construction of new facilities under this section.

(f) REPORT ON PROGRAM.—Not later than 18 months after the date of enactment of this Act, and annually thereafter for the next 5 years, the Secretary of Defense shall, in consultation with the Under Secretary of Defense for Acquisition, Technology, and Logistics, submit a report on the implementation and results of the program required by this section to—

(1) the Committees on Armed Services, Energy and Natural Resources, Agriculture, and Appropriations of the Senate; and

(2) the Committees on Armed Services, Energy and Commerce, Agriculture, and Appropriations of the House of Representatives.

(g) FUNDING.—

(1) IN GENERAL.—Of the amounts authorized to be appropriated under this section, \$250,000,000 may be available for the program

required by this section for fiscal years 2007 through 2012.

(2) AVAILABILITY.—Amounts available under paragraph (1) shall remain available until expended.

#### AUTHORITY FOR COMMITTEES TO MEET

##### COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Mr. MCCONNELL. Mr. President, I ask unanimous consent that the Committee on Agriculture, Nutrition and Forestry be authorized to conduct a hearing during the session of the Senate on July 26, 2006, at 9:30 a.m. in SR-328A, Russell Senate Office Building. The purpose of this committee hearing will be to consider the following nominations: Nancy Johnner to be under Secretary of Agriculture for Food, Nutrition, and Consumer Services for the Department of Agriculture and to be a Member of the Board of Directors of the Commodity Credit Corporation; Bruce Knight to be under Secretary of Agriculture for Marketing and Regulatory Programs for the Department of Agriculture and to be a Member of the Board of Directors of the Commodity Credit Corporation; Margo McKay to be an Assistant Secretary of Agriculture for Civil Rights for the Department of Agriculture; and Michael Dunn to be a Commissioner of the Commodity Futures Trading Commission.

The PRESIDING OFFICER. Without objection, it is so ordered.

##### COMMITTEE ON FINANCE

Mr. MCCONNELL. Mr. President, I ask unanimous consent that the Committee on Finance be authorized to meet during the session on Wednesday, July 26, 2006, at 2 p.m., in 215 Dirksen Senate Office Building, to hear testimony on "A Closer Look at the Size and Sources of the Tax Gap."

The PRESIDING OFFICER. Without objection, it is so ordered.

##### COMMITTEE ON FOREIGN RELATIONS

Mr. MCCONNELL. Mr. President, I ask unanimous consent that the Committee on Foreign Relations be authorized to meet during the session of the Senate on Wednesday, July 26, 2006, at 2:30 p.m. to hold a nominations hearing.

The PRESIDING OFFICER. Without objection, it is so ordered.

##### COMMITTEE ON THE JUDICIARY

Mr. MCCONNELL. Mr. President, I ask unanimous consent that the Senate Committee on the Judiciary be authorized to meet to conduct a hearing on "FISA for the 21st Century" on Wednesday, July 26, 2006, at 9 a.m. in Dirksen Senate Office Building Room 226.

#### Witness list

Panel I: LTG Michael V. Hayden, Director of Central Intelligence Agency, Office of the Director of National Intelligence, Langley, VA; LTG Keith B. Alexander, Director of the National Security Agency, Chief of the Central Security Service, Washington, DC; Steven

Bradbury, Acting Assistant Attorney General, Office of Legal Counsel, Department of Justice, Washington, DC.

Panel II: Bryan Cunningham, Partner, Morgan & Cunningham LLC, Denver, CO; Jim Dempsey, Policy Director, Center for Democracy & Technology, Washington, DC; John Schmidt, Partner, Mayer, Brown, Rowe & Maw LLP, Chicago, IL; Mary DeRosa, Senior Fellow, Johns Hopkins Center for Strategic and International Studies, Technology and Public Policy Program, Washington, DC.

The PRESIDING OFFICER. Without objection, it is so ordered.

##### SELECT COMMITTEE ON INTELLIGENCE

Mr. MCCONNELL. Mr. President, I ask unanimous consent that the Select Committee on Intelligence be authorized to meet during the session of the Senate on July 26, 2006, at 10 a.m. to hold a closed meeting.

The PRESIDING OFFICER. Without objection, it is so ordered.

##### SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA

Mr. MCCONNELL. Mr. President, I ask unanimous consent that the Committee on Homeland Security and Governmental Affairs' Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia be authorized to meet on Wednesday, July 26, 2006, at 3:30 p.m. for a hearing entitled, STOP!: A Progress Report on Protecting and Enforcing Intellectual Property Rights Here and Abroad.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### PRIVILEGES OF THE FLOOR

Mr. BINGAMAN. On behalf of Senator BAUCUS, I ask unanimous consent that John Schiltz and Tara Rose, interns with the Committee on Finance, be granted floor privileges for the consideration of this Energy bill.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. BINGAMAN. I ask unanimous consent Lauren Guidice and Marcus Williams, interns with the Energy and Natural Resources Committee staff, be granted floor privileges during the remainder of the debate.

The PRESIDING OFFICER. Without objection, it is so ordered.

#### FOREIGN INVESTMENT AND NATIONAL SECURITY ACT OF 2006

Mr. SHELBY. Mr. President, I ask unanimous consent that the Senate proceed to the immediate consideration of Calendar No. 474, S. 3549.

The PRESIDING OFFICER. The clerk will report the bill by title.

The bill clerk read as follows:

A bill (S. 3549) to amend the Defense Production Act of 1950, to strengthen Government review and oversight of foreign investment in the United States, to provide for enhanced Congressional oversight with respect thereto, and for other purposes.

There being no objection, the Senate proceeded to consider the bill.

Mr. MCCAIN. Mr. President, today the Senate will pass S. 3549, the Foreign Investment and National Security Act of 2006. While I have reservations over the legislation as currently drafted, I have agreed to allow the bill to proceed to conference, given the assurances by the Chairman of the Senate Banking Committee, Senator SHELBY, that he will work to address the concerns that I have raised.

The Committee on Foreign Investment in the United States—known as CFIUS—was established 30 years ago to placate concerns in Congress over investments by Middle Eastern countries in American assets. Three decades later, it is once again concern over the Middle East that is driving Congress to overhaul the CFIUS process. This time, the outrage has revolved around the proposed acquisition of port terminal operations in the U.S. by Dubai Ports World, a corporation owned by the government of Dubai, one of the seven emirates that make up the United Arab Emirates.

In the war on terror, the UAE has provided American and Coalition military forces unprecedented access to its ports and territory, overflight clearances, and other critical and important logistical assistance. The UAE has played host to over 700 U.S. Navy ships at its ports, including the Port of Jebel Ali—which is managed by Dubai Ports World—and to the Air Force at al Dhafra Air Base. The country also hosts the UAE Air Warfare Center, the leading fighter training center in the Middle East. The UAE has worked with us to stop terrorist financing and money laundering. Moreover, Dubai was the first Middle Eastern entity to join the Container Security Initiative and the Department of Energy's Megaports Initiative, a program aimed at stopping illicit shipments of nuclear and other radioactive material. But all of these details seem to have been lost in the rush to stop a corporate transaction with a key ally in the war on terror.

Mr. President, there are at least two details in S. 3549 that cannot be ignored because they will not help protect our homeland. Instead, they will only harm America's economy, the strength of which is critical to our national security.

One provision that I believe merits closer scrutiny would require CFIUS to notify several congressional committees, as well as individual members of Congress, of each and every transaction submitted to CFIUS's review. This notification would be required well before CFIUS made any determination about the national security implications, if any, of the proposed transaction.

On its face, this provision would appear to be a reasonable effort to achieve transparency and accountability in the CFIUS process. However,