

104TH CONGRESS
2D SESSION

H. R. 4288

To encourage the increased use of domestic natural gas as a transportation fuel, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 28, 1996

Mr. BARTON of Texas (for himself, Mr. BILBRAY, Mr. BONO, Mr. COMBEST, Mr. GINGRICH, Mr. MCCRERY, Mr. REGULA, Mr. TAUZIN, Mr. THORNBERRY, and Mr. WISE) introduced the following bill; which was referred to the Committee on Commerce, and in addition to the Committees on Transportation and Infrastructure, Ways and Means, National Security, and Government Reform and Oversight, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To encourage the increased use of domestic natural gas as a transportation fuel, and for other purposes.

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

3 **TITLE I—GENERAL PROVISIONS**

4 **SECTION 1. SHORT TITLE.**

5 This Act may be cited as the “Natural Gas Vehicle
6 Incentives Act of 1996”.

1 **SEC. 2. FINDINGS.**

2 (a) **PRINCIPAL FINDING.**—The Congress finds that
3 it is in the interest of the United States to encourage the
4 increased use of domestic natural gas as a transportation
5 fuel and thereby realize the broad societal benefits associ-
6 ated with such use, including improved environmental
7 quality, enhanced energy security, and increased domestic
8 economic activity.

9 (b) **GENERAL FINDINGS.**—The Congress finds that—

10 (1) the United States currently imports ap-
11 proximately 50 percent of the petroleum consumed
12 within the country, and this figure is expected to in-
13 crease to 73 percent by the year 2000;

14 (2) the transfer of wealth from the United
15 States to oil exporting countries in 1994 was ap-
16 proximately \$45,000,000,000;

17 (3) the transportation sector in the United
18 States is 97 percent dependent upon petroleum and
19 accounts for approximately 67 percent of the Na-
20 tion's demand for petroleum;

21 (4) emissions from transportation sources con-
22 tribute approximately 57 percent of the total criteria
23 pollutants within the United States and one-third of
24 the total greenhouse gas emissions within the United
25 States;

1 (5) approximately 62,000,000 Americans live in
2 areas that are in violation of the air quality stand-
3 ards established by the Clean Air Act, and many of
4 these Americans, especially those in urban areas, in-
5 creasingly are suffering adverse health consequences
6 resulting from poor air quality;

7 (6) natural gas is a plentiful, domestically avail-
8 able alternative to petroleum;

9 (7) in comparison to a gasoline-powered vehicle,
10 a typical natural gas vehicle substantially reduces
11 emissions of carbon monoxide, nonmethane organic
12 gases, oxides of nitrogen, and particulate matter;

13 (8) the environmental risks inherent in the pro-
14 duction, refining, transportation, and storage of pe-
15 troleum-based fuels are far greater than the cor-
16 responding environmental risks associated with the
17 production, transportation, and storage of natural
18 gas used as a transportation fuel;

19 (9) the technology to maximize the potential so-
20 cietal benefits resulting from the increased use of
21 natural gas as a transportation fuel is available in
22 the commercial marketplace today;

23 (10) the financial assistance of the Federal
24 Government is needed to provide incentives to stimu-
25 late the mass production of natural gas vehicles; and

1 tween in-use gasoline and diesel vehicles and the levels of
2 emissions from natural gas vehicles and ULEV-certified
3 alternative fuel vehicles of similar type and weight, based
4 on data developed by the Administrator for purposes of
5 emissions certification of natural gas vehicles and ULEV-
6 certified alternative fuel vehicles. The rules shall be based
7 on the following:

8 “(1) Credits shall be available to owners or op-
9 erators of natural gas vehicles or ULEV-certified al-
10 ternative fuel vehicles that certify annual use of at
11 least 1,500 gallons or gallon equivalents of natural
12 gas, or alternative fuel in the case of ULEV-certified
13 alternative fuel vehicles, per year, per natural gas
14 vehicle or ULEV-certified alternative fuel vehicle.

15 “(2) The right to obtain credits or hold credits
16 shall be freely transferable.

17 “(3) Credits may be used to offset any require-
18 ments in effect pursuant to this title (A) to reduce
19 emissions of nitrogen oxides, volatile organic com-
20 pounds, nonmethane organic gas, carbon monoxide,
21 and particulates, including those applicable to motor
22 vehicles or stationary sources; and (B) to implement
23 transportation control measures, including high oc-
24 cupancy vehicles restrictions and employee trip re-
25 duction programs.

1 “(4) Credits shall be based on assumed vehicle
2 mileage of 20,000 miles per year.

3 “(5) Owners or operators of natural gas vehi-
4 cles and ULEV-certified alternative fuel vehicles or
5 their assignees shall be provided an opportunity to
6 demonstrate eligibility to receive excess credits based
7 on vehicle mileage in excess of the assumed mileage.
8 Procedures established by the Administrator related
9 to such excess credits shall be simple and not re-
10 quire burdensome recordkeeping.

11 “(6) The Administrator shall establish different
12 levels of credit to reflect the difference in emissions
13 among various weight classifications of natural gas
14 vehicles or ULEV-certified alternative fuel vehicles.
15 The Administrator shall consult with affected parties
16 to determine the appropriate weight classifications
17 for purposes of this program.

18 “(c) STANDARDS FOR FUELING INFRASTRUCTURE.—
19 The rules promulgated under subsection (a) shall base
20 emission reduction credits for the installation and rehabili-
21 tation of natural gas fueling stations on the initial capac-
22 ity of a station and emission reduction credits for the oper-
23 ation of natural gas fueling stations on the annual volume
24 of natural gas actually dispensed at a station. The rules
25 shall be based on the following:

1 “(1) Credits shall be available to any individual
2 or entity that installs a new natural gas fueling sta-
3 tion, increases the capacity or efficiency of an exist-
4 ing natural gas fueling station, or operates a natural
5 gas fueling station.

6 “(2) For installation and rehabilitation credits,
7 different levels of credit shall be established to re-
8 flect the varied fueling capacity of the different
9 types of natural gas fueling stations. For operational
10 credits, the level of credit shall reflect the actual an-
11 nual volume of natural gas dispensed at a station.
12 The Administrator shall consult with the affected
13 parties to determine the appropriate classifications
14 for purposes of this program.

15 “(3) The right to obtain credits or hold credits
16 shall be freely transferable.

17 “(4) Credits may be used to offset any require-
18 ments in effect pursuant to this title to reduce emis-
19 sions of nitrogen oxides, nonmethane organic gas,
20 carbon monoxide, and particulates, including those
21 applicable to motor vehicles or stationary sources.

22 “(5) Credits shall be higher for natural gas
23 fueling stations that provide public access.

1 “(6) Procedures established by the Adminis-
2 trator related to such credits shall be simple and not
3 require burdensome recordkeeping.

4 “(d) DEFINITIONS.—For purposes of this sub-
5 section—

6 “(1) NATURAL GAS VEHICLE.—The term ‘natu-
7 ral gas vehicle’ means a vehicle that will operate on
8 natural gas alone or natural gas in combination with
9 another fuel in a dual-fuel configuration.

10 “(2) NATURAL GAS.—The term ‘natural gas’
11 includes compressed natural gas and liquefied natu-
12 ral gas.

13 “(3) NATURAL GAS FUELING STATION.—The
14 term ‘natural gas fueling station’ means any prop-
15 erty or equipment necessary to dispense natural gas
16 as a vehicular fuel.

17 “(4) ALTERNATIVE FUEL AND ALTERNATIVE
18 FUEL VEHICLE.—The terms ‘alternative fuel’ and
19 ‘alternative fuel vehicle’ have the same meanings as
20 in section 301 of the Energy Policy Act of 1992.

21 “(5) ULEV-CERTIFIED ALTERNATIVE FUEL VE-
22 HICLE.—The term ‘ULEV-certified alternative fuel
23 vehicle’ means any vehicle that operates on alter-
24 native fuel and has been certified by the California
25 Air Resources Board or by the Administrator to

1 meet the current ultra-low emission vehicle standard
2 as established by the California Air Resources Board
3 or as established under title II of this Act.

4 “(e) BIFUEL NATURAL GAS VEHICLES.—The rules
5 issued under this section shall permit bifuel vehicles that
6 are capable of operating both on natural gas and gasoline
7 to receive credits.”.

8 **TITLE III—TAX INCENTIVES**

9 **SEC. 301. CREDITS FOR NATURAL GAS VEHICLES, FUELING** 10 **STATIONS, AND FUEL.**

11 (a) IN GENERAL.—Subpart D of part IV of sub-
12 chapter A of chapter 1 of the Internal Revenue Code of
13 1986 (relating to business related credits) is amended by
14 adding at the end the following new section:

15 **“SEC. 45D. CREDITS RELATED TO NATURAL GAS VEHICLES.**

16 “(a) CREDIT FOR VEHICLES.—

17 “(1) IN GENERAL.—For purposes of section 38,
18 the natural gas vehicle property credit for any tax-
19 able year is an amount equal to 50 percent of the
20 cost of any qualified natural gas vehicle property
21 placed in service by the taxpayer during such taxable
22 year.

23 “(2) QUALIFIED NATURAL GAS VEHICLE PROP-
24 erty.—

1 “(A) IN GENERAL.—For purposes of para-
2 graph (1), the term ‘qualified natural gas vehi-
3 cle property’ means any property which would
4 be qualified clean-fuel vehicle property as de-
5 fined in section 179A(c) if—

6 “(i) paragraph (2) thereof did not
7 apply, and

8 “(ii) the only clean-burning fuels
9 under such section were natural gas and
10 liquefied natural gas.

11 “(B) VEHICLE MUST BE PART OF
12 FLEET.—Property shall not be treated as quali-
13 fied natural gas vehicle property unless the
14 motor vehicle of which it is a part is part of a
15 fleet which includes at least 5 motor vehicles
16 which are used by the taxpayer in a trade or
17 business.

18 “(3) TERMINATION.—

19 “(A) IN GENERAL.—This subsection shall
20 not apply to property placed in service after the
21 first calendar year after the termination year.

22 “(B) TERMINATION YEAR.—For purposes
23 of subparagraph (A), the termination year is
24 the first calendar year in which the number of
25 qualified natural gas vehicles placed in service

1 is at least 10 percent of the total number of all
2 motor vehicles placed in service during such
3 year.

4 “(C) DEFINITIONS.—For purposes of sub-
5 paragraph (B)—

6 “(i) QUALIFIED NATURAL GAS VEHI-
7 CLE.—The term ‘qualified natural gas ve-
8 hicle’ means any motor vehicle capable of
9 operating on compressed natural gas or
10 liquefied natural gas.

11 “(ii) MOTOR VEHICLE.—The term
12 ‘motor vehicle’ has the meaning given such
13 term by section 179A(e)(2).

14 “(b) CREDIT FOR FUELING STATIONS.—

15 “(1) IN GENERAL.—For purposes of section 38,
16 the natural gas fueling property credit for any tax-
17 able year is an amount equal to the lesser of—

18 “(A) \$25,000, or

19 “(B) 10 percent of the cost of any quali-
20 fied natural gas vehicle fueling property placed
21 in service by the taxpayer during such taxable
22 year.

23 “(2) QUALIFIED NATURAL GAS VEHICLE FUEL-
24 ING PROPERTY.—For purposes of this section, the

1 term ‘qualified natural gas vehicle fueling property’
2 means any property—

3 “(A) which is placed in service to fuel
4 qualified natural gas vehicles;

5 “(B) the original use of which commences
6 with the taxpayer; and

7 “(C) which is of a character subject to the
8 allowance for depreciation.

9 “(3) TERMINATION.—This subsection shall not
10 apply to property placed in service after the first cal-
11 endar year after the termination year (as defined in
12 subsection (a)(3)).

13 “(c) CREDIT FOR NATURAL GAS USED AS A TRANS-
14 PORTATION FUEL.—

15 “(1) IN GENERAL.—For purposes of section 38,
16 the natural gas motor fuel credit for any taxable
17 year is an amount equal to—

18 “(A) 25 cents per gallon of liquefied natu-
19 ral gas, and

20 “(B) 25 cents per gasoline gallon equiva-
21 lent (as determined by the National Conference
22 on Weights and Measures) of compressed natu-
23 ral gas,

24 used during such taxable year by the taxpayer as a
25 fuel to propel a natural gas vehicle.

1 “(2) NATURAL GAS VEHICLE.—For purposes of
2 this section, the term ‘natural gas vehicle’ means
3 any motor vehicle (as defined in section
4 179A(e)(2))—

5 “(A) used in a trade or business by the
6 taxpayer as part of a fleet consisting of at least
7 5 motor vehicles which are so used;

8 “(B) that consumes at least 1,500 gasoline
9 gallon equivalents of natural gas per year; and

10 “(C) the original use of which commences
11 with the taxpayer.

12 “(3) NATURAL GAS.—For purposes of this sec-
13 tion, the term ‘natural gas’ means compressed natu-
14 ral gas or liquefied natural gas.

15 “(4) TERMINATION.—This subsection shall not
16 apply to fuel used after the first calendar year after
17 the termination year (as defined in subsection
18 (a)(3)).

19 “(d) SPECIAL RULES.—

20 “(1) COORDINATION WITH SECTION 179A.—The
21 cost otherwise taken into account under section
22 179A with respect to any property shall be reduced
23 by the amount of the credit allowed under this sec-
24 tion with respect to such cost.

1 “(2) CERTAIN RULES TO APPLY.—Rules similar
2 to the rules of subsection (a)(2), and paragraphs
3 (3), (4), (5), and (6) of subsection (e), of section
4 179A shall apply for purposes of subsections (a) and
5 (b).”

6 (b) CONFORMING AMENDMENTS.—

7 (1) Subsection (a) of section 38 of such Code
8 is amended by striking “plus” at the end of para-
9 graph (11), by striking the period at the end of
10 paragraph (12) and inserting a comma, and by add-
11 ing at the end the following new paragraphs:

12 “(13) the natural gas vehicle property credit de-
13 termined under section 45D(a),

14 “(14) the natural gas fueling property credit
15 determined under section 45D(b), plus

16 “(15) the natural gas motor fuel credit deter-
17 mined under section 45D(c).”

18 (2) The table of sections for subpart D of part
19 IV of subchapter A of chapter 1 of such Code is
20 amended by adding at the end the following new
21 item:

 “Sec. 45D. Credits related to natural gas vehicles.”

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall take effect on the date of the enactment
24 of this Act.

1 **SEC. 302. EXCISE TAXATION OF LIQUEFIED NATURAL GAS.**

2 (a) IN GENERAL.—Paragraph (3) of section 4041(a)
3 of the Internal Revenue Code of 1986 is amended to read
4 as follows:

5 “(3) COMPRESSED OR LIQUEFIED NATURAL
6 GAS.—

7 “(A) IN GENERAL.—There is hereby im-
8 posed a tax on compressed or liquefied natural
9 gas—

10 “(i) sold by any person to an owner,
11 lessee, or other operator of a motor vehicle
12 or motorboat for use as a fuel in such
13 motor vehicle or motorboat, or

14 “(ii) used by any person as a fuel in
15 a motor vehicle or motorboat unless there
16 was a taxable sale of such gas under clause
17 (i).

18 The rate of the tax imposed by this paragraph
19 shall be 48.54 cents per MCF (determined at
20 standard temperature and pressure) in the case
21 of compressed natural gas and 3.54 cents per
22 gallon in the case of liquefied natural gas.”

23 (b) CONFORMING AMENDMENT.—Paragraph (2) of
24 section 4041(a) of such Code is amended by striking
25 “(other” and all that follows through “4081)” and insert-

1 ing “(other than liquefied natural gas, kerosene, gas oil,
2 or fuel oil, or any product taxable under section 4081)”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall take effect on the date of the enactment
5 of this Act.

6 **SEC. 303. SHORTER DEPRECIATION RECOVERY PERIODS**
7 **FOR NATURAL GAS VEHICLES AND REFUEL-**
8 **ING PROPERTY.**

9 (a) VEHICLES TREATED AS 3-YEAR PROPERTY.—

10 (1) Subparagraph (A) of section 168(e)(3) of
11 the Internal Revenue Code of 1986 is amended by
12 striking “and” at the end of clause (i), by striking
13 the period at the end of clause (ii) and inserting “,
14 and”, and by adding at the end the following new
15 clause:

16 “(iii) any automobile, general purpose
17 truck, or bus which is fueled in whole or
18 in part by compressed natural gas or lique-
19 fied natural gas.”

20 (2) Subparagraph (A) of section 280F(a)(1) of
21 such Code is amended by adding at the end the fol-
22 lowing flush sentence:

23 “The preceding sentence shall not apply to any pas-
24 senger automobile described in section
25 168(e)(3)(A)(iii).”

1 (b) REFUELING PROPERTY TREATED AS 7-YEAR
2 PROPERTY.—Subparagraph (C) of section 168(e)(3) of
3 such Code is amended by redesignating clause (ii) as
4 clause (iii) and by inserting after clause (i) the following
5 new clause:

6 “(ii) any qualified clean-fuel vehicle
7 refueling property (as defined in section
8 179(d)), and”.

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

12 **TITLE IV—REVISION OF**
13 **PURCHASE MANDATES**

14 **SEC. 401. STATEMENT OF POLICY.**

15 It is the policy of the United States that—

16 (1) a viable, sustainable market for natural gas
17 and other low emission vehicles requires cooperative
18 efforts by and among fleet operators and other
19 users, fuel providers, and vehicle manufacturers;

20 (2) government mandates requiring private sec-
21 tor fleet purchases do not support such cooperative
22 efforts;

23 (3) the low emission vehicle market should be
24 based on voluntary, economically sound decisions;
25 and

1 (4) market-oriented incentives can provide an
2 appropriate and effective means for developing a
3 self-sustaining market for such vehicles and fuels.

4 **SEC. 402. REVISION OF MANDATE AUTHORITIES.**

5 (a) REPEAL OF PRIVATE FLEET MANDATES.—Ex-
6 cept as provided in subsection (c), section 507 of the En-
7 ergy Policy Act of 1992 (42 U.S.C. 13257) is repealed.

8 (b) SUNSET OF FUEL PROVIDER MANDATE.—Sec-
9 tion 501(a)(1)(D) of the Energy Policy Act of 1992 (42
10 U.S.C. 13251(a)(1)(D)), relating to acquisitions for model
11 year 1999 and thereafter, is amended by striking “and
12 thereafter”.

13 (c) SUNSET OF STATE FLEET MANDATE.—Sub-
14 section (a) of this section shall apply, in the case of State
15 fleets, beginning with respect to model year 2000.

16 **SEC. 403. TECHNICAL AND CONFORMING AMENDMENTS.**

17 (a) SECTION 501.—(1) Section 501(b) of the Energy
18 Policy Act of 1992 (42 U.S.C. 13251(b)) is amended by
19 striking “and thereafter” and inserting in lieu thereof
20 “through 1999”.

21 (2) Section 501 of the Energy Policy Act of 1992
22 (42 U.S.C. 13251) is amended by adding at the end the
23 following new subsection:

1 “(e) CONVERSIONS.—Nothing in this title or the
2 amendments made by this title shall require a fleet owner
3 to acquire conversion vehicles.”.

4 (b) SECTION 504.—Section 504(c) of the Energy Pol-
5 icy Act of 1992 (42 U.S.C. 13254(c)) is amended to read
6 as follows:

7 “(c) LIMITATIONS ON AUTHORITY.—The Secretary
8 shall have no authority under this Act—

9 “(1) to mandate the production of alternative
10 fueled vehicles;

11 “(2) to specify, as applicable, the models, lines,
12 or types of, or marketing or pricing practices, poli-
13 cies, or strategies for, vehicles subject to this Act; or

14 “(3) to mandate, except as expressly provided
15 in this title, the purchase of alternative fueled vehi-
16 cles. Nothing in this Act shall be construed to give
17 the Secretary authority to mandate marketing or
18 pricing practices, policies, or strategies for alter-
19 native fuels, or to mandate the production, delivery,
20 or purchase of such fuels.”.

21 (c) SECTION 506.—Section 506 of the Energy Policy
22 Act of 1992 (42 U.S.C. 13256) is amended by adding at
23 the end the following new subsection:

24 “(d) CONSULTATION WITH OTHER FEDERAL AGEN-
25 CIES.—In carrying out this section, the Secretary shall

1 consult with the Secretary of Transportation, the Adminis-
2 trator, and other appropriate Federal agencies.”.

3 (d) SECTION 509.—Section 509 of the Energy Policy
4 Act of 1992 (42 U.S.C. 13259) is amended to read as
5 follows:

6 **“SEC. 509. SECRETARY’S RECOMMENDATIONS TO CON-**
7 **GRESS.**

8 “By no later than June 30, 1997, the Secretary shall
9 recommend to Congress such measures as are necessary
10 to provide incentives for—

11 “(1) fuel suppliers to make available to the
12 public replacement fuels, including providing for the
13 construction or availability of related fuel delivery
14 systems;

15 “(2) suppliers of alternative fueled vehicles to
16 make available to the public alternative fueled vehi-
17 cles and to ensure the availability of necessary relat-
18 ed services; and

19 “(3) motor vehicle owners to use replacement
20 fuels,

21 to the extent necessary to achieve the goals of replacement
22 fuel use established in this title and to ensure that the
23 availability of alternative fuels and of alternative fueled
24 vehicles are consistent with each other.”.

1 (e) SECTION 510.—Section 510 of the Energy Policy
2 Act of 1992 (42 U.S.C. 13260) is amended—

3 (1) by striking “(a) IN GENERAL.—”; and

4 (2) by striking subsection (b).

5 **TITLE V—FEDERAL TRANSIT IN-**
6 **CENTIVES FOR NATURAL GAS**
7 **VEHICLES**

8 **SEC. 501. FINDING.**

9 Section 5301(b) of title 49, United States Code, is
10 amended—

11 (1) by striking “and” at the end of paragraph
12 (8);

13 (2) by redesignating paragraph (9) as para-
14 graph (10); and

15 (3) by inserting after paragraph (8) the follow-
16 ing:

17 “(9) the financial assistance provided under
18 this chapter reflects the Government’s commitment
19 to increase the use of natural gas and alternative
20 fuels as transportation fuels, particularly in trans-
21 portation management areas seeking to increase air
22 quality; and”.

23 **SEC. 502. DEFINITIONS.**

24 Section 5302(a) of title 49, United States Code, is
25 amended—

1 (1) by redesignating paragraphs (1) through
2 (13) as paragraphs (2) through (14), respectively;

3 (2) by inserting before paragraph (2), as redesi-
4 gnated by paragraph (1) of this section, the follow-
5 ing:

6 “(1) ‘alternative fuel’ and ‘alternative fueled ve-
7 hicle’ have the meanings given such terms in section
8 301 of the Energy Policy Act of 1992.”;

9 (3) by redesignating paragraphs (9) through
10 (14), as redesignated by paragraph (1) of this sec-
11 tion, as paragraphs (12) through (17), respectively;

12 (4) by inserting after paragraph (8), as redesi-
13 gnated by paragraph (1) of this section, the following:

14 “(9) ‘natural gas’ includes compressed natural
15 gas and liquified natural gas.

16 “(10) ‘natural gas fueling station’ means any
17 property or equipment necessary to dispense natural
18 gas as a vehicular fuel.

19 “(11) ‘natural gas vehicle’ means a vehicle that
20 will operate on natural gas alone or natural gas in
21 combination with another fuel in a dual-fuel configu-
22 ration.”;

23 (5) by redesignating paragraph (17), as redesi-
24 gnated by paragraph (3) of this section, as paragraph
25 (18); and

1 (6) by inserting after paragraph (16), as reded-
2 signed by paragraph (3) of this section, the follow-
3 ing:

4 “(17) ‘ULEV-certified alternative fueled vehi-
5 cle’ and ‘ULEV-certified alternative fueled bus’
6 mean a vehicle or bus that operates on alternative
7 fuel and has been certified by the California Air Re-
8 sources Board or the Environmental Protection
9 Agency as meeting the current Ultra-Low Emission
10 Vehicle standard, as established by the California
11 Air Resources Board.”.

12 **SEC. 503. FACTORS IN METROPOLITAN PLANNING.**

13 Section 5303(b) of title 49, United States Code, is
14 amended by adding at the end the following:

15 “(16) the opportunities that the metropolitan
16 planning organization has to stimulate the use of
17 natural gas vehicles and ULEV-certified alternative
18 fueled vehicles and the installation of a fueling infra-
19 structure to support such vehicles.”.

20 **SEC. 504. RESEARCH, DEVELOPMENT, AND DEMONSTRA-**
21 **TION PROJECTS.**

22 Section 5312(b)(1) of title 49, United States Code,
23 is amended—

24 (1) by striking “and” at the end of subpara-
25 graph (E);

1 (2) by redesignating subparagraph (F) as sub-
2 paragraph (G); and

3 (3) by inserting after subparagraph (E) the fol-
4 lowing:

5 “(F) the relationship between environ-
6 mental policy and transportation policy, par-
7 ticularly the potential applications for natural
8 gas vehicles and ULEV-certified alternative
9 fueled vehicles in urban settings; and”.

10 **SEC. 505. ENVIRONMENTAL FACTORS RELATED TO FUND-**
11 **ING FOR BUSES.**

12 Section 5323 of title 49, United States Code, is
13 amended by adding at the end the following:

14 “(m) FUNDING FOR NEW NATURAL GAS BUSES AND
15 RELATED PROPERTY AND EQUIPMENT.—A Government
16 grant for a project to be assisted under this chapter that
17 involves acquiring buses powered by natural gas, or any
18 ULEV-certified alternative fueled bus, and all real prop-
19 erty or equipment related to the fueling thereof, shall not
20 be less than 90 percent of the cost of the project.”.

1 **TITLE VI—GOVERNMENT CON-**
2 **TRACT INCENTIVES FOR NAT-**
3 **URAL GAS VEHICLES**

4 **SEC. 601. PREFERENCE FOR CONTRACTORS USING NATU-**
5 **RAL GAS VEHICLES.**

6 (a) ARMED SERVICES ACQUISITIONS.—(1) Chapter
7 141 of title 10, United States Code, is amended by insert-
8 ing after section 2398 the following new section:

9 **“§ 2398a. Preference for contractors using natural**
10 **gas vehicles**

11 “(a) PREFERENCE FOR CONTRACTORS.—In entering
12 into contracts with private entities for the procurement of
13 goods or services, the Secretary of Defense shall give a
14 preference to entities that use, to the maximum extent
15 practicable, either of the following:

16 “(1) Motor vehicles that operate on natural gas.

17 “(2) Motor vehicles that—

18 “(A) operate on alternative fuel (as defined
19 in section 301 of the Energy Policy Act of 1992
20 (42 U.S.C. 13211); and

21 “(B) are certified by the California Air Re-
22 sources Board or by the Administrator of the
23 Environmental Protection Agency as meeting
24 the ultra-low emission vehicle standard estab-
25 lished by the California Air Resources Board.

1 “(A) operate on alternative fuel (as defined
2 in section 301 of the Energy Policy Act of 1992
3 (42 U.S.C. 13211); and

4 “(B) are certified by the California Air Re-
5 sources Board or by the Administrator of the
6 Environmental Protection Agency as meeting
7 the ultra-low emission vehicle standard estab-
8 lished by the California Air Resources Board.

9 “(b) REQUIREMENT OF APPLY PREFERENCE TO
10 SUBCONTRACTORS.—The head of an executive agency
11 shall require an entity with which the executive agency has
12 entered into a contract for the procurement of goods or
13 services to give a preference, in entering into subcontracts
14 to carry out such contract, to entities that use, to the max-
15 imum extent practicable, motor vehicles described in sub-
16 section (a).”.

17 (2) The table of sections in section 1 of such Act is
18 amended by inserting after the item relating to section
19 316 the following new item:

 “317. Preference for contractors using natural gas vehicles.”.

20 (c) EFFECTIVE DATE.—Section 2398a of title 10,
21 United States Code, as added by subsection (a), and sec-
22 tion 317 of the Federal Property and Administrative Serv-
23 ices Act of 1949, as added by subsection (b), shall apply
24 with respect to contracts entered into after the expiration

1 of the 60-day period beginning on the date of the enact-
2 ment of this Act.

3 **TITLE VII—RESEARCH, DEVELOP-**
4 **MENT, AND DEMONSTRATION INCENTIVES FOR NATU-**
5 **RAL GAS VEHICLES**

7 **SEC. 701. NATURAL GAS VEHICLE RESEARCH, DEVELOP-**
8 **MENT, AND DEMONSTRATION PROJECTS AT**
9 **THE DEPARTMENT OF ENERGY.**

10 (a) NATURAL GAS VEHICLE RESEARCH, DEVELOP-
11 MENT, AND DEMONSTRATION PROGRAM.—(1) The Sec-
12 retary of Energy shall conduct a 5-year program, in ac-
13 cordance with sections 3001 and 3002 of the Energy Pol-
14 icy Act of 1992, of natural gas vehicle research, develop-
15 ment, and demonstration.

16 (2) The natural gas vehicle program conducted pur-
17 suant to this section shall include activities relating to—

18 (A) onboard storage of both compressed natural
19 gas and liquified natural gas for vehicular use, in-
20 cluding high-strength materials, low-cost carbon
21 fiber, low-cost manufacturing processes, and ad-
22 vanced concepts;

23 (B) engine design for cycle optimization for me-
24 dium-duty and heavy-duty vehicles in—

1 (i) compression ignition and dual-fuel cy-
2 cles; and

3 (ii) exhaust after treatment; and

4 (C) fuel dispensing for low-cost metering, tech-
5 nical and cryogenic fueling devices, and fuel condi-
6 tioning.

7 (b) COOPERATION WITH INDUSTRY.—In developing
8 the program pursuant to this section, the Secretary of En-
9 ergy shall consult with the natural gas vehicle industry
10 to ensure cooperation between the public sector and the
11 private sector.

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