

110TH CONGRESS
1ST SESSION

S. 162

To amend the Internal Revenue Code of 1986 to modify the alcohol credit and the alternative fuel credit, to amend the Clean Air Act to promote the installation of fuel pumps for E-85 fuel, to amend title 49 of the United States Code to require the manufacture of dual fueled automobiles, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 4, 2007

Mr. LUGAR introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to modify the alcohol credit and the alternative fuel credit, to amend the Clean Air Act to promote the installation of fuel pumps for E-85 fuel, to amend title 49 of the United States Code to require the manufacture of dual fueled automobiles, and for other purposes.

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

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “National Fuels Initiative”.

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

- Sec. 1. Short title; table of contents.
 Sec. 2. Findings.

TITLE I—ALTERNATIVE FUELS

- Sec. 101. Declaration of United States policy on the development and use of renewable alternative fuels.
 Sec. 102. Modification to alcohol credit and alternative fuel credit.
 Sec. 103. Installation of E-85 fuel pumps by major oil companies at owned stations and branded stations.
 Sec. 104. Requirement to manufacture dual fueled automobiles.
 Sec. 105. Definition of automobile.
 Sec. 106. Average fuel economy standards.
 Sec. 107. Credit trading and compliance.
 Sec. 108. Consumer tax credit.
 Sec. 109. Advanced technology motor vehicles manufacturing credit.

TITLE II—USED OIL RE-REFINING AND REUSE

- Sec. 201. Definitions.
 Sec. 202. Informing public.
 Sec. 203. Labeling.
 Sec. 204. Collection facilities.
 Sec. 205. Information exchange.
 Sec. 206. Used oil from Federal agencies.
 Sec. 207. Used oil in space heaters.
 Sec. 208. Extension and modification of election to expense certain refineries.
 Sec. 209. Credit for re-refined lubricating oil feedstock.

3 **SEC. 2. FINDINGS.**

4 Congress makes the following findings:

- 5 (1) The national security and economic prosper-
 6 ity of the United States is threatened by our oil
 7 dependence, and the reliance of the United States on
 8 oil imports impinges on our foreign policy. Adver-
 9 sarial regimes rich in oil and natural gas are using
 10 their energy supplies as leverage against import-de-
 11 pendent countries and are using increased revenues
 12 from oil and gas exports to gain international influ-

1 ence, fund anti-American appeals, entrench
2 authoritarianism, and support terrorism.

3 (2) Global competition for oil reserves is in-
4 creasing as supply is depleted, demand increases,
5 and foreign governments attempt to exert more con-
6 trol over reserves. Supplies of oil are vulnerable to
7 disruption resulting from war, political manipula-
8 tion, natural disasters, and terrorist attacks. A
9 major loss in oil supply could result in a price shock
10 extremely damaging to the economy of the United
11 States and our way of life, and competition over
12 scarce resources could create conflict.

13 (3) Inefficient and unclean use of oil damages
14 the environment and worsens the threat of global cli-
15 mate change.

16 **TITLE I—ALTERNATIVE FUELS**

17 **SEC. 101. DECLARATION OF UNITED STATES POLICY ON** 18 **THE DEVELOPMENT AND USE OF RENEW-** 19 **ABLE ALTERNATIVE FUELS.**

20 Congress declares that:

21 (1) It is the policy of the United States to re-
22 duce dependence on imported oil through increased
23 efficiency and diversification of fuel sources through
24 dramatically expanded use of clean alternative fuels.
25 Such a reduction will increase the foreign policy

1 flexibility of the United States, make the United
2 States less vulnerable to oil supply disruption, and
3 promote economic growth. The United States will
4 continue to promote research and development of a
5 range of alternatives fuels, and it will implement
6 policies to accelerate the deployment and commer-
7 cialization of existing efficiency and alternative fuels
8 technologies.

9 (2) It is the policy goal of the United States to
10 produce and utilize the equivalent of at least
11 100,000,000,000 gallons of renewable fuel per year
12 by 2025. This amount of renewable fuel, along with
13 innovation in fuel efficiency, will substantially reduce
14 the need for oil imports in the United States.

15 (3) It is the policy of the United States to pro-
16 mote the development of a global biofuels market
17 through partnerships with other nations and to re-
18 duce trade barriers for renewable fuels.

19 **SEC. 102. MODIFICATION TO ALCOHOL CREDIT AND ALTER-**
20 **NATIVE FUEL CREDIT.**

21 (a) INCOME TAX CREDIT FOR ALCOHOL.—

22 (1) RATE BASED ON PRICE OF OIL.—Section 40
23 of the Internal Revenue Code of 1986 (relating to
24 alcohol used as fuel) is amended by striking “60

1 cents” each place it appears and inserting “the ap-
2 plicable amount”.

3 (2) APPLICABLE AMOUNT.—Subsection (h) of
4 section 40 of such Code is amended to read as fol-
5 lows:

6 “(h) APPLICABLE AMOUNT.—For purposes of this
7 section—

8 “(1) IN GENERAL.—The term ‘applicable
9 amount’ means, with respect to any quarter—

10 “(A) five cents for each \$1 (or any fraction
11 thereof) by which \$45 exceeds—

12 “(i) in the case of the alcohol mixture
13 credit, the average price of a barrel of oil
14 for the quarter during which the qualified
15 mixture used is sold or used, and

16 “(ii) in the case of the alcohol credit,
17 the average price of a barrel of oil for the
18 quarter during which the alcohol was sold
19 or used, and

20 “(B) \$0 for any quarter in which the price
21 of a barrel of oil is greater than \$45.

22 “(2) SPECIAL RULE FOR CERTAIN TAX-
23 PAYERS.—

24 “(A) IN GENERAL.—In the case of any al-
25cohol or qualified mixture sold or used before

1 January 1, 2011, by an applicable taxpayer, the
2 applicable amount is—

3 “(i) 60 cents in the case of a qualified
4 mixture in which none of the alcohol con-
5 sists of ethanol, and

6 “(ii) 51 cents in any other case.

7 “(B) APPLICABLE TAXPAYER.—For pur-
8 poses of subparagraph (A), the term ‘applicable
9 taxpayer’ means a taxpayer who, on the day be-
10 fore the date of the enactment of the National
11 Fuels Initiative, is in the trade or business of
12 producing qualified mixtures or selling alcohol
13 at retail for use as a fuel.

14 “(3) OTHER RULES.—For purposes of this sub-
15 section—

16 “(A) DETERMINATION OF AVERAGE
17 PRICE.—The average price of a barrel of oil
18 shall be determined under regulations pre-
19 scribed by the Secretary.

20 “(B) BARREL.—The term ‘barrel’ means
21 42 United States gallons.”.

22 (3) MODIFICATION OF SMALL ETHANOL PRO-
23 DUCER CREDIT.—Paragraph (1) of section 40(g) of
24 such Code is amended by adding at the end the fol-
25 lowing new sentence: “Such term shall not include

1 any person who is not in the trade or business of
2 producing alcohol (as defined in subsection (d)(1)(A)
3 without regard to clauses (i) and (ii)) before the
4 date of the enactment of this Act.”.

5 (4) EXTENSION OF CREDIT.—

6 (A) IN GENERAL.—Paragraph (1) of sec-
7 tion 40(e) of such Code is amended—

8 (i) by striking “This section” and in-
9 serting “Except as provided in paragraph
10 (2), this section”,

11 (ii) in subparagraph (A), by striking
12 “2010” and inserting “2020”, and

13 (iii) in subparagraph (B), by striking
14 “2011” and inserting “2021”.

15 (B) TERMINATION OF SMALL ETHANOL
16 PRODUCER CREDIT.—

17 (i) IN GENERAL.—Subsection (e) of
18 section 40 of such Code is amended by re-
19 designating paragraph (2) as paragraph
20 (3) and by inserting after paragraph (1)
21 the following new paragraph:

22 “(2) SMALL ETHANOL PRODUCER CREDIT.—No
23 credit shall be allowed under subsection (a)(3) for
24 any sale or use—

1 “(A) for any period after December 31,
2 2010, or

3 “(B) for any period before January 1,
4 2011, during which the rates of tax under sec-
5 tion 4081(a)(2)(A) are 4.3 cents per gallon.”.

6 (ii) CONFORMING AMENDMENT.—Sec-
7 tion 40(e)(3) of such Code, as redesignated
8 by clause (i), is amended by inserting “or
9 (2)” after “paragraph (1)”.

10 (5) CONFORMING AMENDMENT.—Section 40(b)
11 of such Code is amended by striking paragraph (3)
12 and by redesignating paragraphs (4) and (5) as
13 paragraph (3) and (4), respectively.

14 (b) MODIFICATIONS TO EXCISE TAX CREDIT AND
15 PAYMENTS FOR ALCOHOL.—

16 (1) IN GENERAL.—Paragraph (2) of section
17 6426(b) of the Internal Revenue Code of 1986 is
18 amended to read as follows:

19 “(2) APPLICABLE AMOUNT.—For purposes of
20 this section—

21 “(A) IN GENERAL.—The term ‘applicable
22 amount’ means, with respect to any quarter—

23 “(i) five cents for each \$1 (or any
24 fraction thereof) by which \$45 exceeds the
25 average price of a barrel of oil for the

1 quarter during which the alcohol fuel mix-
2 ture is sold or used, and

3 “(ii) \$0 for any quarter in which the
4 price of a barrel of oil is greater than \$45.

5 “(B) SPECIAL RULE FOR CERTAIN TAX-
6 PAYERS.—

7 “(i) IN GENERAL.—In the case of any
8 alcohol fuel mixture sold or used before
9 January 1, 2011, by an applicable tax-
10 payer, the applicable amount is—

11 “(I) 60 cents in the case of a
12 qualified mixture in which none of the
13 alcohol consists of ethanol, and

14 “(II) 51 cents in any other case.

15 “(ii) APPLICABLE TAXPAYER.—For
16 purposes of subparagraph (A), the term
17 ‘applicable taxpayer’ means a taxpayer
18 who, on the day before the date of the en-
19 actment of the National Fuels Initiative, is
20 in the trade or business of producing alco-
21 hol fuel mixtures.

22 “(C) OTHER RULES.—For purposes of this
23 subsection—

24 “(i) DETERMINATION OF AVERAGE
25 PRICE.—The average price of a barrel of

1 oil shall be determined under regulations
2 prescribed by the Secretary.

3 “(ii) BARREL.—The term ‘barrel’
4 means 42 United States gallons.”.

5 (2) EXTENSION.—

6 (A) ALCOHOL FUEL MIXTURE CREDIT.—
7 Paragraph (5) of section 6426(b) of such Code
8 is amended by striking “2010” and inserting
9 “2020”.

10 (B) PAYMENTS.—Subparagraph (A) of
11 section 6427(e)(5) of such Code is amended by
12 striking “2010” and inserting “2020”.

13 (c) MODIFICATIONS TO EXCISE TAX AND PAYMENTS
14 FOR ALTERNATIVE FUEL.—

15 (1) ALTERNATIVE FUEL CREDIT.—

16 (A) RATE.—

17 (i) IN GENERAL.—Paragraph (1) of
18 section 6426(d) of the Internal Revenue
19 Code of 1986 is amended by striking “50
20 cents” and inserting “the applicable
21 amount”.

22 (ii) APPLICABLE AMOUNT.—Sub-
23 section (d) of section 6426 of such Code is
24 amended by redesignating paragraphs (2),
25 (3), and (4) as paragraphs (3), (4), and

1 (5), respectively, and by inserting after
2 paragraph (1) the following new para-
3 graph:

4 “(2) APPLICABLE AMOUNT.—For purposes of
5 this section—

6 “(A) IN GENERAL.—The term ‘applicable
7 amount’ means, with respect to any quarter—

8 “(i) five cents for each \$1 (or any
9 fraction thereof) by which \$45 exceeds the
10 average price of a barrel of oil for the
11 quarter during which the alternative fuel is
12 sold or used, and

13 “(ii) \$0 for any quarter in which the
14 price of a barrel of oil is greater than \$45.

15 “(B) SPECIAL RULE FOR CERTAIN TAX-
16 PAYERS.—

17 “(i) IN GENERAL.—In the case of any
18 alternative fuel sold or used before Janu-
19 ary 1, 2011, by an applicable taxpayer, the
20 applicable amount is 50 cents.

21 “(ii) APPLICABLE TAXPAYER.—For
22 purposes of subparagraph (A), the term
23 ‘applicable taxpayer’ means a taxpayer
24 who, on the day before the date of the en-
25 actment of the National Fuels Initiative, is

1 in the trade or business of producing alter-
2 native fuels.

3 “(C) OTHER RULES.—For purposes of this
4 subsection—

5 “(i) DETERMINATION OF AVERAGE
6 PRICE.—The average price of a barrel of
7 oil shall be determined under regulations
8 prescribed by the Secretary.

9 “(ii) BARREL.—The term ‘barrel’
10 means 42 United States gallons.”.

11 (B) EXTENSION.—Paragraph (5) of sec-
12 tion 6426(d) of such Code, as redesignated by
13 subparagraph (A), is amended by striking
14 “2009 (September 30, 2014, in the case of any
15 sale or use involving liquified hydrogen)” and
16 inserting “2020”.

17 (2) ALTERNATIVE FUEL MIXTURE CREDIT.—

18 (A) RATE.—

19 (i) IN GENERAL.—Paragraph (1) of
20 section 6426(e) of the Internal Revenue
21 Code of 1986 is amended by striking “50
22 cents” and inserting “the applicable
23 amount”.

24 (ii) APPLICABLE AMOUNT.—Sub-
25 section (e) of section 6426 of such Code is

1 amended by redesignating paragraphs (2)
2 and (3) as paragraphs (3) and (4), respec-
3 tively, and by inserting after paragraph (1)
4 the following new paragraph:

5 “(2) APPLICABLE AMOUNT.—For purposes of
6 this section—

7 “(A) IN GENERAL.—The term ‘applicable
8 amount’ means, with respect to any quarter—

9 “(i) five cents for each \$1 (or any
10 fraction thereof) by which \$45 exceeds the
11 average price of a barrel of oil for the
12 quarter during which the alternative fuel
13 mixture is sold or used, and

14 “(ii) \$0 for any quarter in which the
15 price of a barrel of oil is greater than \$45.

16 “(B) SPECIAL RULE FOR CERTAIN TAX-
17 PAYERS.—

18 “(i) IN GENERAL.—In the case of any
19 alternative fuel mixture sold or used before
20 January 1, 2011, by an applicable tax-
21 payer, the applicable amount is 50 cents.

22 “(ii) APPLICABLE TAXPAYER.—For
23 purposes of subparagraph (A), the term
24 ‘applicable taxpayer’ means a taxpayer
25 who, on the day before the date of the en-

1 actment of the National Fuels Initiative, is
2 in the trade or business of producing alter-
3 native fuel mixtures.

4 “(C) OTHER RULES.—For purposes of this
5 subsection—

6 “(i) DETERMINATION OF AVERAGE
7 PRICE.—The average price of a barrel of
8 oil shall be determined under regulations
9 prescribed by the Secretary.

10 “(ii) BARREL.—The term ‘barrel’
11 means 42 United States gallons.”.

12 (B) EXTENSION.—Paragraph (4) of sec-
13 tion 6426(e) of such Code, as redesignated by
14 subparagraph (A), is amended by striking
15 “2009 (September 30, 2014, in the case of any
16 sal or use involving liquified hydrogen)” and in-
17 serting “2020”.

18 (3) PAYMENTS.—Paragraph (5) of section
19 6427(e) is amended by inserting “and” at the end
20 of subparagraph (B), by striking subparagraphs (C)
21 and (D), and by inserting after subparagraph (B)
22 the following:

23 “(C) any alternative fuel or alternative fuel
24 mixture (as defined in subsection (d)(3) or

1 (e)(3) of section 6426) sold or used after Sep-
 2 tember 30, 2020.”.

3 (d) EFFECTIVE DATE.—The amendments made by
 4 this section shall apply to fuel used or sold in quarters
 5 beginning after the date of the enactment of this Act.

6 **SEC. 103. INSTALLATION OF E-85 FUEL PUMPS BY MAJOR**
 7 **OIL COMPANIES AT OWNED STATIONS AND**
 8 **BRANDED STATIONS.**

9 Section 211(o) of the Clean Air Act (42 U.S.C.
 10 7545(o)) is amended by adding at the end the following:

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

14 “(A) DEFINITIONS.—In this paragraph:

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

20 “(ii) MAJOR OIL COMPANY.—The
 21 term ‘major oil company’ means any per-
 22 son that, individually or together with any
 23 other person with respect to which the per-
 24 son has an affiliate relationship or signifi-
 25 cant ownership interest, has not less than

1 4,500 retail station outlets according to
2 the latest publication of the Petroleum
3 News Annual Factbook.

4 “(iii) SECRETARY.—The term ‘Sec-
5 retary’ means the Secretary of Energy,
6 acting in consultation with the Adminis-
7 trator of the Environmental Protection
8 Agency and the Secretary of Agriculture.

9 “(B) REGULATIONS.—The Secretary shall
10 promulgate regulations to ensure that each
11 major oil company that sells or introduces gaso-
12 line into commerce in the United States
13 through wholly-owned stations or branded sta-
14 tions installs or otherwise makes available 1 or
15 more pumps that dispense E-85 fuel (including
16 any other equipment necessary, such as includ-
17 ing tanks, to ensure that the pumps function
18 properly) at not less than the applicable per-
19 centage of the wholly-owned stations and the
20 branded stations of the major oil company spec-
21 ified in subparagraph (C).

22 “(C) APPLICABLE PERCENTAGE.—For the
23 purpose of subparagraph (B), the applicable
24 percentage of the wholly-owned stations and the

1 branded stations shall be determined in accord-
 2 ance with the following table:

“Calendar year:	Applicable percentage of wholly-owned stations and branded stations (percent):
2008	5
2009	10
2010	15
2011	20
2012	25
2013	30
2014	35
2015	40
2016	45
2017 and each calendar year thereafter	50.

3 “(D) GEOGRAPHIC DISTRIBUTION.—

4 “(i) IN GENERAL.—Subject to clause
 5 (ii), in promulgating regulations under
 6 subparagraph (B), the Secretary shall en-
 7 sure that each major oil company described
 8 in subparagraph (B) installs or otherwise
 9 makes available 1 or more pumps that dis-
 10 pense E-85 fuel at not less than a min-
 11 imum percentage (specified in the regula-
 12 tions) of the wholly-owned stations and the
 13 branded stations of the major oil company
 14 in each State.

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

1 that clause in each State in which the
2 major oil company operates.

3 “(E) FINANCIAL RESPONSIBILITY.—In
4 promulgating regulations under subparagraph
5 (B), the Secretary shall ensure that each major
6 oil company described in that subparagraph as-
7 sumes full financial responsibility for the costs
8 of installing or otherwise making available the
9 pumps described in that subparagraph and any
10 other equipment necessary (including tanks) to
11 ensure that the pumps function properly.

12 “(F) PRODUCTION CREDITS FOR EXCEED-
13 ING E-85 FUEL PUMPS INSTALLATION REQUIRE-
14 MENT.—

15 “(i) EARNING AND PERIOD FOR AP-
16 PLYING CREDITS.—If the percentage of the
17 wholly-owned stations and the branded sta-
18 tions of a major oil company at which the
19 major oil company installs E-85 fuel
20 pumps in a particular calendar year ex-
21 ceeds the percentage required under sub-
22 paragraph (C), the major oil company
23 earns credits under this paragraph, which
24 may be applied to any of the 3 consecutive
25 calendar years immediately after the cal-

1 endar year for which the credits are
2 earned.

3 “(ii) TRADING CREDITS.—Subject to
4 clause (iii), a major oil company that has
5 earned credits under clause (i) may sell
6 credits to another major oil company to en-
7 able the purchaser to meet the requirement
8 under subparagraph (C).

9 “(iii) EXCEPTION.—A major oil com-
10 pany may not use credits purchased under
11 clause (ii) to fulfill the geographic distribu-
12 tion requirement in subparagraph (D).”.

13 **SEC. 104. REQUIREMENT TO MANUFACTURE DUAL FUELED**
14 **AUTOMOBILES.**

15 (a) REQUIREMENT.—

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

19 **“§ 32902A. Requirement to manufacture dual fueled**
20 **automobiles**

21 “(a) REQUIREMENT.—Each manufacturer of new
22 automobiles that are capable of operating on gasoline or
23 diesel fuel shall ensure that the percentage of such auto-
24 mobiles, manufactured in any model year after model year
25 2007 and distributed in commerce for sale in the United

1 States, which are dual fueled automobiles is equal to not
 2 less than the applicable percentage set forth in the fol-
 3 lowing table:

“For the model year:	The percentage of dual fueled auto- mobiles manufac- tured shall be not less than:
2008	10 percent
2009	20 percent
2010	30 percent
2011	40 percent
2012	50 percent
2013	60 percent
2014	70 percent
2015	80 percent
2016	90 percent
2017 and beyond	100 percent.

4 “(b) PRODUCTION CREDITS FOR EXCEEDING FLEXI-
 5 BLE FUEL AUTOMOBILE PRODUCTION REQUIREMENT.—

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

14 “(2) TRADING CREDITS.—A manufacturer that
 15 has earned credits under paragraph (1) may sell
 16 credits to another manufacturer to enable the pur-
 17 chaser to meet the requirement under subsection
 18 (a).”.

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

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

5 (b) ACTIVITIES TO PROMOTE THE USE OF CERTAIN
6 ALTERNATIVE FUELS.—The Secretary of Transportation
7 shall carry out activities to promote the use of fuel mix-
8 tures containing gasoline or diesel fuel and 1 or more al-
9 ternative fuels, including a mixture containing at least 85
10 percent of methanol, denatured ethanol, and other alcohols
11 by volume with gasoline or other fuels, to power auto-
12 mobiles in the United States.

13 **SEC. 105. DEFINITION OF AUTOMOBILE.**

14 (a) IN GENERAL.—Section 32901(a)(3) of title 49,
15 United States Code, is amended by striking “rated
16 at—” and all that follows through the period at the end
17 and inserting “rated at not more than 10,000 pounds
18 gross vehicle weight.”.

19 (b) FUEL ECONOMY INFORMATION.—Section
20 32908(a) of title 49, United States Code, is amended, by
21 striking “section—” and all that follows through “(2)”
22 and inserting “section, the term”.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to model year 2009 and each sub-
25 sequent model year.

1 **SEC. 106. AVERAGE FUEL ECONOMY STANDARDS.**

2 (a) STANDARDS.—Section 32902 of title 49, United
3 States Code, is amended—

4 (1) in subsection (a)—

5 (A) in the header, by inserting “MANUFAC-
6 TURED BEFORE MODEL YEAR 2012” after
7 “NON-PASSENGER AUTOMOBILES”; and

8 (B) by adding at the end the following:
9 “This subsection shall not apply to automobiles
10 manufactured after model year 2011.”;

11 (2) in subsection (b)—

12 (A) in the header, by inserting “MANUFAC-
13 TURED BEFORE MODEL YEAR 2012” after
14 “PASSENGER AUTOMOBILES”;

15 (B) by inserting “and before model year
16 2009” after “1984”; and

17 (C) by adding at the end the following:
18 “Such standard shall be increased by 4 percent
19 per year for model years 2009 through 2011
20 (rounded to the nearest $\frac{1}{10}$ mile per gallon)”;

21 (3) by amending subsection (c) to read as fol-
22 lows:

23 “(c) AUTOMOBILES MANUFACTURED AFTER MODEL
24 YEAR 2011.—(1) Not later than 18 months before the be-
25 ginning of each model year after model year 2011, the

1 Secretary of Transportation shall prescribe, by regula-
2 tion—

3 “(A) an average fuel economy standard for
4 automobiles manufactured by a manufacturer in
5 that model year; or

6 “(B) based on 1 or more vehicle attributes that
7 relate to fuel economy—

8 “(i) separate standards for different class-
9 es of automobiles; or

10 “(ii) standards expressed in the form of a
11 mathematical function.

12 “(2)(A) Except as provided under paragraphs (3) and
13 (4) and subsection (d), standards under paragraph (1)
14 shall attain a projected aggregate level of average fuel
15 economy of 27.5 miles per gallon for all automobiles man-
16 ufactured by all manufacturers for model year 2012.

17 “(B) The projected aggregate level of average fuel
18 economy for model year 2013 and each succeeding model
19 year shall be increased by 4 percent from the level for the
20 prior model year (rounded to the nearest 1/10 mile per
21 gallon).

22 “(C) Notwithstanding subparagraphs (A) and (B),
23 the fleetwide average fuel economy standard for passenger
24 automobiles manufactured by a manufacturer in a model
25 year for that manufacturer’s domestic fleet and for its for-

1 eign fleet as calculated under section 32904 as in effect
2 before the date of enactment of the National Fuels Initia-
3 tive shall not be less than 92 percent of the average fuel
4 economy projected by the Secretary for the combined do-
5 mestic and foreign fleets manufactured by all manufactur-
6 ers in that model year.

7 “(3) If the actual aggregate level of average fuel
8 economy achieved by manufacturers for each of 3 consec-
9 tive model years is at least 5 percent less than the pro-
10 jected aggregate level of average fuel economy for such
11 model year, the Secretary shall make appropriate adjust-
12 ments to the standards prescribed under this subsection.

13 “(4)(A) Notwithstanding paragraphs (1) through (3)
14 and subsection (b), the Secretary of Transportation may
15 prescribe a lower average fuel economy standard for 1 or
16 more model years if the Secretary of Transportation, in
17 consultation with the Secretary of Energy, determines that
18 the minimum standards prescribed under paragraph (2)
19 or (3) or subsection (b) for each model year—

20 “(i) are technologically unachievable;

21 “(ii) cannot be achieved without materially re-
22 ducing the overall safety of automobiles manufac-
23 tured or sold in the United States; or

24 “(iii) is shown, by clear and convincing evi-
25 dence, not to be cost effective.

1 “(B) If a lower standard is prescribed for a model
2 year under subparagraph (A), such standard shall be the
3 maximum standard that—

4 “(i) is technologically achievable;

5 “(ii) can be achieved without materially reduc-
6 ing the overall safety of automobiles manufactured
7 or sold in the United States; and

8 “(iii) is cost effective.

9 “(5) In determining cost effectiveness under para-
10 graph (4)(A)(iii), the Secretary of Transportation shall
11 take into account the total value to the Nation of reduced
12 petroleum use, including the value of reducing external
13 costs of petroleum use, using a value for such costs equal
14 to 50 percent of the value of a gallon of gasoline saved
15 or the amount determined in an analysis of the external
16 costs of petroleum use that considers—

17 “(A) value to consumers;

18 “(B) economic security;

19 “(C) national security;

20 “(D) foreign policy;

21 “(E) the impact of oil use—

22 “(i) on sustained cartel rents paid to for-
23 eign suppliers;

1 “(ii) on long-run potential gross domestic
2 product due to higher normal-market oil price
3 levels, including inflationary impacts;

4 “(iii) on import costs, wealth transfers,
5 and potential gross domestic product due to in-
6 creased trade imbalances;

7 “(iv) on import costs and wealth transfers
8 during oil shocks;

9 “(v) on macroeconomic dislocation and ad-
10 justment costs during oil shocks;

11 “(vi) on the cost of existing energy security
12 policies, including the management of the Stra-
13 tegic Petroleum Reserve;

14 “(vii) on the timing and severity of the oil
15 peaking problem;

16 “(viii) on the risk, probability, size, and
17 duration of oil supply disruptions;

18 “(ix) on OPEC strategic behavior and
19 long-run oil pricing;

20 “(x) on the short term elasticity of energy
21 demand and the magnitude of price increases
22 resulting from a supply shock;

23 “(xi) on oil imports, military costs, and re-
24 lated security costs, including intelligence,

1 homeland security, sea lane security and infra-
2 structure, and other military activities;

3 “(xii) on oil imports, diplomatic and for-
4 eign policy flexibility, and connections to geo-
5 political strife, terrorism, and international de-
6 velopment activities;

7 “(xiii) all relevant environmental hazards
8 under the jurisdiction of the Environmental
9 Protection Agency; and

10 “(xiv) on well-to-wheels urban and local air
11 emissions of ‘pollutants’ and their
12 uninternalized costs;

13 “(F) the impact of the oil or energy intensity
14 of the United States economy on the sensitivity of
15 the economy to oil price changes, including the mag-
16 nitude of gross domestic product losses in response
17 to short term price shocks or long term price in-
18 creases;

19 “(G) the impact of United States payments for
20 oil imports on political, economic, and military devel-
21 opments in unstable or unfriendly oil exporting
22 countries;

23 “(H) the uninternalized costs of pipeline and
24 storage oil seepage, and for risk of oil spills from

1 production, handling, and transport, and related
2 landscape damage; and

3 “(I) additional relevant factors, as determined
4 by the Secretary.

5 “(6) When considering the value to consumers of a
6 gallon of gasoline saved, the Secretary of Transportation
7 may not use a value less than the greatest of—

8 “(A) the average national cost of a gallon of
9 gasoline sold in the United States during the 12-
10 month period ending on the date on which the new
11 fuel economy standard is proposed;

12 “(B) the most recent weekly estimate by the
13 Energy Information Administration of the Depart-
14 ment of Energy of the average national cost of a
15 gallon of gasoline (all grades) sold in the United
16 States; or

17 “(C) the gasoline prices projected by the En-
18 ergy Information Administration for the 20-year pe-
19 riod beginning in the year following the year in
20 which the standards are established.

21 “(7) In prescribing standards under this subsection,
22 the Secretary may prescribe standards for 1 or more
23 model years.

24 “(8)(A) Not later than December 31, 2016, the Sec-
25 retary of Transportation, the Secretary of Energy, and the

1 Administrator of the Environmental Protection Agency
2 shall submit a joint report to Congress on the state of
3 global automotive efficiency technology development, and
4 on the accuracy of tests used to measure fuel economy
5 of automobiles under section 32904(c), utilizing the study
6 and assessment of the National Academy of Sciences re-
7 ferred to in subparagraph (B).

8 “(B) The Secretary shall enter into appropriate ar-
9 rangements with the National Academy of Sciences to con-
10 duct a comprehensive study of the technological opportuni-
11 ties to enhance fuel economy and an analysis and assess-
12 ment of the accuracy of fuel economy tests used by the
13 Administrator of the Environmental Protection Agency to
14 measure fuel economy for each model under section
15 32904(c). Such analysis and assessment shall identify any
16 additional factors or methods that should be included in
17 tests to measure fuel economy for each model to more ac-
18 curately reflect actual fuel economy of automobiles. The
19 Secretary and the Administrator of the Environmental
20 Protection Agency shall furnish, at the request of the
21 Academy, any information which the Academy determines
22 to be necessary to conduct the study, analysis, and assess-
23 ment under this subparagraph.

24 “(C) The report submitted under subparagraph (A)
25 shall include—

1 “(i) the study of the National Academy of
2 Sciences referred to in subparagraph (B); and

3 “(ii) an assessment by the Secretary of techno-
4 logical opportunities to enhance fuel economy and
5 opportunities to increase overall fleet safety.

6 “(D) The report submitted under subparagraph (A)
7 shall identify and examine additional opportunities to re-
8 form the regulatory structure under this chapter, includ-
9 ing approaches that seek to merge vehicle and fuel require-
10 ments into a single system that achieves equal or greater
11 reduction in petroleum use and environmental benefits.

12 “(E) The report submitted under subparagraph (A)
13 shall—

14 “(i) include conclusions reached by the Admin-
15 istrator of the Environmental Protection Agency, as
16 a result of detailed analysis and public comment, on
17 the accuracy of current fuel economy tests;

18 “(ii) identify any additional factors that the Ad-
19 ministrator determines should be included in tests to
20 measure fuel economy for each model to more accu-
21 rately reflect actual fuel economy of automobiles;
22 and

23 “(iii) include a description of options, formu-
24 lated by the Secretary and the Administrator, to in-
25 corporate such additional factors in fuel economy

1 tests in a manner that will not effectively increase
2 or decrease average fuel economy for any automobile
3 manufacturer.

4 “(F) There is authorized to be appropriated to the
5 Secretary such amounts as are required to carry out the
6 study, analysis, and assessment required by subparagraph
7 (B).”; and

8 (4) in subsection (g)(2), by striking “(and sub-
9 mit the amendment to Congress when required
10 under subsection (c)(2) of this section)”.

11 (b) CONFORMING AMENDMENTS.—

12 (1) IN GENERAL.—Chapter 329 of title 49,
13 United States Code, is amended—

14 (A) in section 32903—

15 (i) by striking “passenger” each place
16 it appears;

17 (ii) by striking “section 32902(b)–(d)
18 of this title” each place it appears and in-
19 serting “subsection (e) or (d) of section
20 32902”;

21 (iii) by striking subsection (e); and

22 (iv) by redesignating subsection (f) as
23 subsection (e); and

24 (B) in section 32904(a)—

1 (i) by striking “passenger” each place
2 it appears; and

3 (ii) in paragraph (1), by striking
4 “subject to” and all that follows through
5 “section 32902(b)–(d) of this title” and in-
6 serting “subsection (c) or (d) of section
7 32902”.

8 (2) EFFECTIVE DATE.—The amendments made
9 by paragraph (1) shall apply to automobiles manu-
10 factured after model year 2011.

11 **SEC. 107. CREDIT TRADING AND COMPLIANCE.**

12 (a) CREDIT TRADING.—Section 32903(a) of title 49,
13 United States Code, is amended—

14 (1) by inserting “Credits earned by a manufac-
15 turer under this section may be sold to any other
16 manufacturer and used as if earned by that manu-
17 facturer; except that credits earned by a manufac-
18 turer described in section 32904(b)(1)(A)(i) may not
19 be sold to or purchased by a manufacturer described
20 in 32904(b)(1)(A)(ii),” after “earns credits.”; and

21 (2) by striking “3 consecutive model years im-
22 mediately” each place it appears and inserting
23 “model years”.

24 (b) TREATMENT OF IMPORTS.—

1 (1) CONFORMING AMENDMENT.—Section
2 32904(b) is amended by striking “passenger” each
3 place it appears.

4 (2) APPLICABILITY.—The amendments made
5 by paragraph (1) shall apply to automobiles manu-
6 factured after model year 2011.

7 (c) MULTI-YEAR COMPLIANCE PERIOD.—Section
8 32904(c) of such title is amended—

9 (1) by inserting “(1)” before “The Adminis-
10 trator”; and

11 (2) by adding at the end the following:

12 “(2) The Secretary, by rule, may allow a manufac-
13 turer to elect a multi-year compliance period of not more
14 than 4 consecutive model years in lieu of the single model
15 year compliance period otherwise applicable under this
16 chapter.”.

17 **SEC. 108. CONSUMER TAX CREDIT.**

18 (a) ELIMINATION ON NUMBER OF NEW QUALIFIED
19 HYBRID AND ADVANCED LEAN BURN TECHNOLOGY VE-
20 HICLES ELIGIBLE FOR ALTERNATIVE MOTOR VEHICLE
21 CREDIT.—

22 (1) IN GENERAL.—Section 30B of the Internal
23 Revenue Code of 1986 is amended—

24 (A) by striking subsection (f); and

1 (B) by redesignating subsections (g)
2 through (j) as subsections (f) through (i), re-
3 spectively.

4 (2) CONFORMING AMENDMENTS.—

5 (A) Paragraphs (4) and (6) of section
6 30B(h) of such Code are each amended by
7 striking “(determined without regard to sub-
8 section (g))” and inserting “determined without
9 regard to subsection (f))”.

10 (B) Section 38(b)(25) of such Code is
11 amended by striking “section 30B(g)(1)” and
12 inserting “section 30B(f)(1)”.

13 (C) Section 55(c)(2) of such Code is
14 amended by striking “section 30B(g)(2)” and
15 inserting “section 30B(f)(2)”.

16 (D) Section 1016(a)(36) of such Code is
17 amended by striking “section 30B(h)(4)” and
18 inserting “section 30B(g)(4)”.

19 (E) Section 6501(m) of such Code is
20 amended by striking “section 30B(h)(9)” and
21 inserting “section 30B(g)(9)”.

22 (b) EXTENSION OF ALTERNATIVE VEHICLE CREDIT
23 FOR NEW QUALIFIED HYBRID MOTOR VEHICLES.—Para-
24 graph (3) of section 30B(i) of such Code (as redesignated

1 by subsection (a)) is amended by striking “December 31,
2 2009” and inserting “December 31, 2010”.

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

7 **SEC. 109. ADVANCED TECHNOLOGY MOTOR VEHICLES MAN-**
8 **UFACTURING CREDIT.**

9 (a) IN GENERAL.—Subpart B of part IV of sub-
10 chapter A of chapter 1 of the Internal Revenue Code of
11 1986 (relating to foreign tax credit, etc.) is amended by
12 adding at the end the following new section:

13 **“SEC. 30D. ADVANCED TECHNOLOGY MOTOR VEHICLES**
14 **MANUFACTURING CREDIT.**

15 “(a) CREDIT ALLOWED.—There shall be allowed as
16 a credit against the tax imposed by this chapter for the
17 taxable year an amount equal to 35 percent of the quali-
18 fied investment of an eligible taxpayer for such taxable
19 year.

20 “(b) QUALIFIED INVESTMENT.—For purposes of this
21 section—

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

1 “(A) to re-equip, expand, or establish any
2 manufacturing facility in the United States of
3 the eligible taxpayer to produce advanced tech-
4 nology motor vehicles or to produce eligible
5 components,

6 “(B) for engineering integration performed
7 in the United States of such vehicles and com-
8 ponents as described in subsection (d),

9 “(C) for research and development per-
10 formed in the United States related to advanced
11 technology motor vehicles and eligible compo-
12 nents, and

13 “(D) for employee retraining with respect
14 to the manufacturing of such vehicles or compo-
15 nents (determined without regard to wages or
16 salaries of such retrained employees).

17 “(2) **ATTRIBUTION RULES.**—In the event a fa-
18 cility of the eligible taxpayer produces both advanced
19 technology motor vehicles and conventional motor
20 vehicles, or eligible and non-eligible components, only
21 the qualified investment attributable to production
22 of advanced technology motor vehicles and eligible
23 components shall be taken into account.

24 “(c) **DEFINITIONS.**—In this section:

1 “(1) ADVANCED TECHNOLOGY MOTOR VEHI-
2 CLE.—The term ‘advanced technology motor vehicle’
3 means—

4 “(A) any qualified electric vehicle (as de-
5 fined in section 30(c)(1)),

6 “(B) any new qualified fuel cell motor ve-
7 hicle (as defined in section 30B(b)(3)),

8 “(C) any new advanced lean burn tech-
9 nology motor vehicle (as defined in section
10 30B(c)(3)),

11 “(D) any new qualified hybrid motor vehi-
12 cle (as defined in section 30B(d)(2)(A) and de-
13 termined without regard to any gross vehicle
14 weight rating),

15 “(E) any new qualified alternative fuel
16 motor vehicle (as defined in section 30B(e)(4),
17 including any mixed-fuel vehicle (as defined in
18 section 30B(e)(5)(B)), and

19 “(F) any other motor vehicle using electric
20 drive transportation technology (as defined in
21 paragraph (3)).

22 “(2) ELECTRIC DRIVE TRANSPORTATION TECH-
23 NOLOGY.—The term ‘electric drive transportation
24 technology’ means technology used by vehicles that
25 use an electric motor for all or part of their motive

1 power and that may or may not use off-board elec-
 2 tricity, such as battery electric vehicles, fuel cell ve-
 3 hicles, engine dominant hybrid electric vehicles, plug-
 4 in hybrid electric vehicles, and plug-in hybrid fuel
 5 cell vehicles.

6 “(3) ELIGIBLE COMPONENTS.—The term ‘eligi-
 7 ble component’ means any component inherent to
 8 any advanced technology motor vehicle, including—

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

11 “(i) electric motor or generator;

12 “(ii) power split device;

13 “(iii) power control unit;

14 “(iv) power controls;

15 “(v) integrated starter generator; or

16 “(vi) battery;

17 “(B) with respect to any hydraulic new
 18 qualified hybrid motor vehicle—

19 “(i) accumulator or other energy stor-
 20 age device;

21 “(ii) hydraulic pump;

22 “(iii) hydraulic pump-motor assembly;

23 “(iv) power control unit; and

24 “(v) power controls;

1 “(C) with respect to any new advanced
2 lean burn technology motor vehicle—

3 “(i) diesel engine;

4 “(ii) turbo charger;

5 “(iii) fuel injection system; or

6 “(iv) after-treatment system, such as
7 a particle filter or NO_x absorber; and

8 “(D) with respect to any advanced tech-
9 nology motor vehicle, any other component sub-
10 mitted for approval by the Secretary.

11 “(4) ELIGIBLE TAXPAYER.—The term ‘eligible
12 taxpayer’ means any taxpayer if more than 20 per-
13 cent of the taxpayer’s gross receipts for the taxable
14 year is derived from the manufacture of motor vehi-
15 cles or any component parts of such vehicles.

16 “(d) ENGINEERING INTEGRATION COSTS.—For pur-
17 poses of subsection (b)(1)(B), costs for engineering inte-
18 gration are costs incurred prior to the market introduction
19 of advanced technology vehicles for engineering tasks re-
20 lated to—

21 “(1) establishing functional, structural, and
22 performance requirements for component and sub-
23 systems to meet overall vehicle objectives for a spe-
24 cific application,

1 “(2) designing interfaces for components and
2 subsystems with mating systems within a specific ve-
3 hicle application,

4 “(3) designing cost effective, efficient, and reli-
5 able manufacturing processes to produce components
6 and subsystems for a specific vehicle application,
7 and

8 “(4) validating functionality and performance of
9 components and subsystems for a specific vehicle ap-
10 plication.

11 “(e) LIMITATION BASED ON AMOUNT OF TAX.—The
12 credit allowed under subsection (a) for the taxable year
13 shall not exceed the excess of—

14 “(1) the sum of—

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

17 “(B) the tax imposed by section 55 for
18 such taxable year and any prior taxable year
19 beginning after 1986 and not taken into ac-
20 count under section 53 for any prior taxable
21 year, over

22 “(2) the sum of the credits allowable under sub-
23 part A and sections 27, 30, and 30B for the taxable
24 year.

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

7 “(g) NO DOUBLE BENEFIT.—

8 “(1) COORDINATION WITH OTHER DEDUCTIONS
9 AND CREDITS.—Except as provided in paragraph
10 (2), the amount of any deduction or other credit al-
11 lowable under this chapter for any cost taken into
12 account in determining the amount of the credit
13 under subsection (a) shall be reduced by the amount
14 of such credit attributable to such cost.

15 “(2) RESEARCH AND DEVELOPMENT COSTS.—

16 “(A) IN GENERAL.—Except as provided in
17 subparagraph (B), any amount described in
18 subsection (b)(1)(C) taken into account in de-
19 termining the amount of the credit under sub-
20 section (a) for any taxable year shall not be
21 taken into account for purposes of determining
22 the credit under section 41 for such taxable
23 year.

24 “(B) COSTS TAKEN INTO ACCOUNT IN DE-
25 TERMINING BASE PERIOD RESEARCH EX-

1 PENSES.—Any amounts described in subsection
2 (b)(1)(C) taken into account in determining the
3 amount of the credit under subsection (a) for
4 any taxable year which are qualified research
5 expenses (within the meaning of section 41(b))
6 shall be taken into account in determining base
7 period research expenses for purposes of apply-
8 ing section 41 to subsequent taxable years.

9 “(h) BUSINESS CARRYOVERS ALLOWED.—If the
10 credit allowable under subsection (a) for a taxable year
11 exceeds the limitation under subsection (e) for such tax-
12 able year, such excess (to the extent of the credit allowable
13 with respect to property subject to the allowance for depre-
14 ciation) shall be allowed as a credit carryback to each of
15 the 15 taxable years immediately preceding the unused
16 credit year and as a carryforward to each of the 20 taxable
17 years immediately following the unused credit year.

18 “(i) SPECIAL RULES.—For purposes of this section,
19 rules similar to the rules of section 179A(e)(4) and para-
20 graphs (1) and (2) of section 41(f) shall apply

21 “(j) ELECTION NOT TO TAKE CREDIT.—No credit
22 shall be allowed under subsection (a) for any property if
23 the taxpayer elects not to have this section apply to such
24 property.

1 “(k) REGULATIONS.—The Secretary shall prescribe
2 such regulations as necessary to carry out the provisions
3 of this section.

4 “(l) TERMINATION.—This section shall not apply to
5 any qualified investment after December 31, 2010.”.

6 (b) CONFORMING AMENDMENTS.—

7 (1) Section 1016(a) of the Internal Revenue
8 Code of 1986 is amended by striking “and” at the
9 end of paragraph (36), by striking the period at the
10 end of paragraph (37) and inserting “, and”, and by
11 adding at the end the following new paragraph:

12 “(38) to the extent provided in section
13 30D(g).”.

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

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

“Sec. 30D. Advanced technology motor vehicles manufacturing credit.”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to amounts incurred in taxable
22 years beginning after December 31, 1999.

1 **TITLE II—USED OIL RE-**
2 **REFINING AND REUSE**

3 **SEC. 201. DEFINITIONS.**

4 In this title:

5 (1) ADMINISTRATOR.—The term “Adminis-
6 trator” means the Administrator of the Environ-
7 mental Protection Agency.

8 (2) RE-REFINE.—The term “re-refine”, with re-
9 spect to the treatment of used oil, means the process
10 by which the physical and chemical contaminants
11 contained in used oil as a result of previous use are
12 removed to produce lubricating oil or another oil.

13 (3) RE-REFINERY.—The term “re-refinery”
14 means a plant or facility used for the purpose of re-
15 refining used oil.

16 (4) REUSE.—The term “reuse”, with respect to
17 used oil, means any process by which oil is used
18 after the original use of the oil, including through
19 re-refining, reprocessing, or reclaiming.

20 (5) SECRETARY.—The term “Secretary” means
21 the Secretary of Energy.

22 (6) USED OIL.—The term “used oil” means any
23 oil that has been refined from crude oil, or any syn-
24 thetic oil, that is contaminated by a physical or
25 chemical impurity as a result of the use of the oil.

1 **SEC. 202. INFORMING PUBLIC.**

2 The Secretary shall develop a program under which
3 the Secretary shall provide to the public information about
4 the benefits of collecting, re-refining, and otherwise
5 reusing used oil, including through—

6 (1) the establishment of a website providing—

7 (A) a description of the benefits of re-re-
8 fining or otherwise reusing used oil;

9 (B) a list of used oil collection facilities, re-
10 refiners, and other entities that reuse used oil;
11 and

12 (C) links to State and local websites con-
13 taining other appropriate information;

14 (2) publication and distribution of educational
15 materials, in English and other languages, describ-
16 ing—

17 (A) the benefits of collecting, re-refining,
18 and otherwise reusing used oil; and

19 (B) methods for ensuring the safe collec-
20 tion, storage, transportation, and reuse of used
21 oil; and

22 (3) submission to Congress and publication of
23 an annual report describing measures carried out
24 during the preceding calendar year to increase the
25 collection, re-refining, and other reuse of used oil,
26 including estimates of the energy resources saved,

1 and the quantity of emissions reduced, through
2 those measures.

3 **SEC. 203. LABELING.**

4 Not later than January 1, 2009, the Secretary shall
5 develop proposed guidelines, to take effect not later than
6 January 1, 2010, for the labeling of re-refined lubricating
7 oil, including establishment, and guidelines for use, of a
8 re-refined label to be approved by the Secretary for lubri-
9 cating oil that—

10 (1) meets industry standards as in effect on the
11 date of enactment of this Act; and

12 (2) contains base oil composed of not less than
13 50 percent re-refined lubricating oil.

14 **SEC. 204. COLLECTION FACILITIES.**

15 The Secretary, in cooperation with the Administrator,
16 shall establish—

17 (1) guidelines for the collection of used oil by
18 facilities in an environmentally safe manner; and

19 (2) a process by which facilities may be certified
20 to collect used oil as part of a national used oil col-
21 lection network.

22 **SEC. 205. INFORMATION EXCHANGE.**

23 (a) IN GENERAL.—The Secretary, in cooperation
24 with the Administrator, shall develop a program to facili-
25 tate the exchange of information among State and local

1 agencies and the public concerning re-refining and other
2 means of reusing used oil to enhance energy conservation
3 and emissions reduction, including through—

4 (1) the establishment of a clearinghouse for ap-
5 plicable data and reports;

6 (2) the development of best management prac-
7 tices; and

8 (3) the convening of periodic conferences relat-
9 ing to re-refining and other reuse of used oil.

10 (b) **RURAL AND FARMING COMMUNITIES.**—In car-
11 rying out subsection (a), the Secretary shall ensure that—

12 (1) opportunities for re-refining and other reuse
13 of used oil in rural and farming communities are ap-
14 propriately considered; and

15 (2) information regarding appropriate and cost-
16 effective measures to encourage those opportunities
17 is made available to State and local agencies and the
18 public.

19 **SEC. 206. USED OIL FROM FEDERAL AGENCIES.**

20 (a) **IN GENERAL.**—Not later than 2 years after the
21 date of enactment of this Act, the Secretary, in consulta-
22 tion with the Administrator of General Services, shall pro-
23 mulgate regulations requiring all Federal agencies and de-
24 partments—

1 (1) to collect used oil produced by the agencies
2 and departments, including used oil derived from
3 federally owned and operated vehicles; and

4 (2) to re-refine and reuse that used oil in ac-
5 cordance with the regulations.

6 (b) REQUIREMENTS.—The regulations promulgated
7 pursuant to subsection (a) shall establish a preference by
8 the Federal Government in the use and disposal of used
9 oil, in a manner that does not constitute a threat to public
10 health or the environment and that conserves energy and
11 materials to the maximum extent practicable—

12 (1) first, for re-refining used oil, unless the re-
13 refining—

14 (A) is not reasonably available; or

15 (B) involves unreasonable costs compared
16 to other methods of reuse;

17 (2) second, for other reuse of used oil, including
18 burning the used oil for energy recovery; and

19 (3) third, for the disposal of used oil.

20 **SEC. 207. USED OIL IN SPACE HEATERS.**

21 (a) DEFINITION OF SPACE HEATER.—In this section,
22 the term “space heater” means a heating device with a
23 production capacity of at least 500,000 Btus per hour that
24 is capable of burning used oil or other fuel.

1 (b) STUDY.—The Administrator shall conduct a
2 study of the hazards to public health that the Adminis-
3 trator reasonably anticipates to occur as a result of emis-
4 sions covered by the Clean Air Act (42 U.S.C. 7401 et
5 seq.) from space heaters that burn used oil, for energy
6 recovery or other purposes.

7 (c) REPORT.—Not later than 270 days after the date
8 of enactment of this Act, the Administrator shall submit
9 to Congress a report describing the results of the study
10 under subsection (b), including—

11 (1) a determination by the Administrator as to
12 whether any category of new or existing space heat-
13 ers poses a risk to human health or the environment;
14 and

15 (2) a description of alternative control strate-
16 gies for space heater emissions that could require
17 regulation under this section.

18 **SEC. 208. EXTENSION AND MODIFICATION OF ELECTION TO**
19 **EXPENSE CERTAIN REFINERIES.**

20 (a) MODIFICATION OF DEFINITION OF QUALIFIED
21 REFINERY.—

22 (1) IN GENERAL.—Subsection (d) of section
23 179C of the Internal Revenue Code of 1986 is
24 amended to read as follows:

1 “(d) QUALIFIED REFINERY.—For purposes of this
2 section, the term ‘qualified refinery’ means any refinery
3 located in the United States which is designed to serve
4 the primary purpose of—

5 “(1) processing liquid fuel from crude oil or
6 qualified fuels (as defined in section 45K(c)), or

7 “(2) processing non-virgin lube oil from used,
8 refined products (including used lube oil originally
9 derived from crude oil or qualified fuels).”.

10 (2) CONFORMING AMENDMENTS.—

11 (A) Section 179C(e) of such Code amend-
12 ed—

13 (i) in paragraph (1), by inserting “vir-
14 gin” before “lube oil”, and

15 (ii) in paragraph (2), by inserting “or
16 other products from used refined prod-
17 ucts” and “section 45K(c)”.

18 (B) Section 179C(f)(1) of such Code is
19 amended by inserting “virgin” before “lube oil
20 facility”.

21 (b) SPECIAL RULE FOR QUALIFIED REFINERIES
22 PROCESSING USED PRODUCTS.—Paragraph (1) of section
23 179C(c) of the Internal Revenue Code of 1986 is amended
24 by adding at the end the following new paragraph:

1 “(4) SPECIAL RULE FOR QUALIFIED REFIN-
 2 ERIES PROCESSING USED PRODUCTS.—In the case of
 3 a qualified refinery described in subsection (d)(2),
 4 paragraph (1) shall be applied—

5 “(A) by substituting ‘2014’ for ‘2012’ in
 6 subparagraph (B),

7 “(B) by substituting ‘January 4, 2007’ for
 8 ‘June 14, 2005’ in subparagraphs (E) and (F),
 9 and

10 “(C) by substituting ‘2010’ for ‘2008’ each
 11 place it appears in subparagraph (F).”.

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

15 **SEC. 209. CREDIT FOR RE-REFINED LUBRICATING OIL**
 16 **FEEDSTOCK.**

17 (a) IN GENERAL.—Subpart B of part IV of sub-
 18 chapter A of chapter 1 of the Internal Revenue Code of
 19 1986 (relating to other credits) is amended by adding at
 20 the end the following new section:

21 **“SEC. 30D. CREDIT FOR RE-REFINED LUBRICATING OIL**
 22 **FEEDSTOCK.**

23 “(a) ALLOWANCE OF CREDIT.—There shall be al-
 24 lowed as a credit against the tax imposed by this chapter
 25 for the taxable year an amount equal to the product of—

1 “(1) 20 cents, and

2 “(2) the excess of—

3 “(A) number of gallons of qualified re-re-
4 fined lubricating oil feedstock sold by the tax-
5 payer to a qualified re-refined lubricating oil
6 producer during the taxable year, over

7 “(B) the highest number of gallons of
8 qualified re-refined lubricating oil feedstock sold
9 by the taxpayer to a qualified re-refined lubri-
10 cating oil producer in any preceding taxable
11 year beginning after December 31, 2006.

12 “(b) QUALIFIED RE-REFINED LUBRICATING OIL
13 FEEDSTOCK.—For purposes of this section—

14 “(1) IN GENERAL.—The term ‘qualified re-re-
15 fined lubricating oil feedstock’ means used lubri-
16 cating oil which is certified by the qualified re-re-
17 fined lubricating oil producer to which it is sold as
18 suitable for re-refining for use in engines.

19 “(2) CERTIFICATIONS.—

20 “(A) LIMITATION ON AMOUNT CER-
21 TIFIED.—

22 “(i) IN GENERAL.—The amount of
23 used lubricating oil which may be certified
24 by a qualified re-refined lubricating oil pro-
25 ducer for any calendar year may not ex-

1 ceed the refining capacity of such qualified
2 re-refining lubricating oil producer for such
3 calendar year.

4 “(ii) NONCOMPLIANCE WITH POLLU-
5 TION LAWS.—For purposes of clause (i),
6 under regulations prescribed by the Sec-
7 retary, the refining capacity of any refinery
8 which is not in material compliance with
9 the applicable State and Federal pollution
10 prevention, control, and permit require-
11 ments for any period of time during a cal-
12 endar year shall be reduced in proportion
13 to the period of time during which such re-
14 finery is not in material compliance with
15 such requirements.

16 “(B) REPORTS.—Each qualified re-refined
17 lubricating oil producer shall file such reports
18 regarding certifications as the Secretary may by
19 regulations prescribe.

20 “(c) QUALIFIED RE-REFINED LUBRICATING OIL
21 PRODUCER.—For purposes of this section, the term
22 ‘qualified re-refined lubricating oil producer’ means any
23 person who—

24 “(1) produces a base oil manufactured from at
25 least 95 percent used lubricating oil and not more

1 than 2 percent of previously unused lubricating oil
2 by a re-refining process which effectively removes
3 physical and chemical impurities and spent and
4 unspent additives, and

5 “(2) is registered with the Secretary as a quali-
6 fied re-refined lubricating oil producer.”.

7 (b) CLERICAL AMENDMENT.—The table of sections
8 for subpart B of part IV of subchapter A of chapter 1
9 of such Code is amended by inserting at the end the fol-
10 lowing new item:

“Sec. 30D. Credit for re-refined lubricating oil feedstock.”.

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

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