

KEY NGV-RELATED PROVISIONS IN THE ENERGY AND HIGHWAY BILLS

October 5, 2005

ENERGY BILL APPROVED BY CONGRESS

- HR 6: the Energy Policy Act of 2005 is now the “Domenici Barton Energy Policy Act of 2005”
- Passed the House on July 28, 2005
 - by a vote of: 275-156
- Passed the Senate on July 29, 2005
 - by a vote of: 74-26

HIGHWAY BILL APPROVED BY CONGRESS

- HR 3- Transportation Equity Act: A Legacy for Users
- Passed the House on July 29, 2005:
 - by a vote of: 412-8
- Passed the Senate on July 29, 2005:
 - by a vote of: 91-4

NGV TAX INCENTIVES

History

- 8 Years in the Making
- Passed 5 times by the House and 4 times by the Senate
 - 5 Senate Champions
 - 2 House Champions
- Broad Coalition Support

ENERGY BILL PROVISIONS

Tax Incentives

- A Tax Credit to the buyer of a new, dedicated alternative fuel vehicle:
 - 50 percent of the incremental cost of the vehicle
 - plus an additional 30 percent if the vehicle meets certain tighter emission standards.

(continued)

ENERGY BILL PROVISIONS

Tax Incentives

- Credits would range from \$2,500 to \$32,000 depending on the size of the vehicle.
- The credit is effective for vehicles placed in service after December 31, 2005 and expires on December 31, 2010
- Tax credit goes to the seller if the buyer is a non-tax paying entity

ENERGY BILL PROVISIONS

Tax Incentives

- A Tax Credit Equal to 30% of the cost of Alt fuel refueling equipment
 - Up to \$30,000 in the case of large stations
 - Up to \$1,000 for home refueling appliances
 - The existing \$100,000 tax deduction for refueling property is repealed
 - The credit is effective on equipment placed in service after December 31, 2005 and expires on December 31, 2009

HIGHWAY BILL

Tax Incentives

- A 50 cent excise tax credit is paid to the seller:
 - Per GGE of CNG
 - Per liquid gallon of LNG
- Begins on October 1, 2006 (delayed for budget reasons)
 - Expires on September 30, 2009
- The credit will be paid to eligible recipients on a regular basis without regard to the amount of excise tax paid.
(including tax exempts)

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HIGHWAY BILL

Tax Incentives

- The value of the excise tax credit is *offset* by an increase in the motor fuels excise tax rate for both CNG and LNG.
 - CNG is increased from 6 cents per GGE to 18.3 cents
 - LNG is increased from 11.9 cents per LNG gallon to 24.3 cents

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HIGHWAY BILL

Tax Incentives

- Compared to the current situation, the net benefit will be:
 - For CNG: 37.7 cents per GGE
 - For LNG: 63.6 cents per DGE

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HIGHWAY BILL

Tax Incentives

- CNG will now pay the same rate of tax into the Highway Trust Fund as gasoline
- LNG has been increased to pay the diesel rate

HIGHWAY BILL

Clean School Bus Program

- Establishes a program to provide grants to school districts and related organizations for the replacement, repower or retrofit of school buses, and to provide alt fuel.

(continued)

HIGHWAY BILL

Clean School Bus Program

- Clean School Bus Program Funding Criteria:
 - 50% of the cost of the new bus if the engine emissions
 - For MY2005 and 2006 meet:
 - 1.8 grams NO_x plus NMHC and 0.01 PM.
 - For MY2007, 2008 and 2009 meet:
 - 0.2 NO_x plus NMHC and 0.01 PM (the 2010 EPA emission standards)

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HIGHWAY BILL

Clean School Bus Program

- Clean School Bus Program Funding Criteria:
 - 25% of the cost if the engine emissions:
 - For MY2005 and 2006, meet:
 - 2.5 grams NO_x plus NMHC and 0.01 PM.
 - For MY2007, 2008 and 2009, “regulatory requirements” by EPA.
 - This is assumed to mean the phase-in requirement to 2010 which is 1.2 grams NO_x plus NMHC and 0.01 PM..

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HIGHWAY BILL

Clean School Bus Program

- No state can receive more than 10 percent of the monies made available each year.
- Authorization:
 - \$55 million for FY2006 and 2007
 - “such sums as are necessary” for fiscal years 2008-2010.

ENERGY BILL

Diesel Truck Retrofit And Fleet Modernization

- A grant program for states to fund fleet modernization programs; preference given to:
 - Ports and other major hauling operations.
 - Proposals that “will achieve the greatest reductions in emissions” and “involve the use of EPA or CARB verified emission control technologies.”

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ENERGY BILL

Diesel Truck Retrofit And Fleet Modernization

- Authorization:
 - \$20 million for FY2006;
 - \$35 million for FY2007;
 - \$45 million for FY2008; and
 - “such sums as are necessary for fiscal years 2009 and 2010.”

ENERGY BILL

Use of Alt Fuel in Federal Fleet Dual-Fuel Vehicles

- Requires federal agency dual-fueled vehicles to actually use alternative fuels
- Affects bi-fuel and flex-fuel vehicles
- Waivers would be granted if the fuel is not readily available or is too expensive.

ENERGY BILL

Federal Vehicle Incremental Cost Allocation

- Requires GSA and other federal agencies that procure alternative fuel vehicles to spread the incremental cost across all vehicles:
 - This will eliminate the current first cost disincentive (incremental price) for federal fleet managers to purchase NGVs.

ENERGY BILL

Adv. Vehicles Pilot Demo Program

- Establishes a competitive grant program to fund up to 30 geographically dispersed advanced vehicle demonstration projects.
- Goal:
 - Reduce emissions;
 - Displace fossil fuel;
 - Promote advanced technology vehicles; and
 - Promote sustainable transportation options.

(continued)

ENERGY BILL

Adv. Vehicles Pilot Demo Program

- Grant recipients limited to state and local government agencies and MPOs.
- Grant monies can be use to pay for:
 - AFVs (including neighborhood electric vehicles)
 - Hybrid vehicles (only medium and heavy-duty vehicles)
 - Fuel cell vehicles

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ENERGY BILL

Adv. Vehicles Pilot Demo Program

- Ultra-low sulfur heavy-duty diesel vehicles
- Acquisition and installation of fueling infrastructure
- Operation and maintenance of vehicles, infrastructure and equipment
- No project can receive more than \$15 million.
- The legislation authorizes \$200 million for the program.

ENERGY BILL

Diesel Emission Reduction

- A grant and loan program to reduce emissions from diesel engines:
 - Recipients: State and local government agencies and non-profit organizations
- Focus: Replacing/retrofitting engines in non-attainment areas
- Would require that at least 50 percent of the federal program funds be used on public fleets.

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ENERGY BILL

Diesel Emission Reduction

- EPA or CARB certified or verified technologies qualify.
- Authorization: \$200 million per year for FY 2006 through 2010.

ENERGY BILL

Alternative Compliance and Flexibility

- Expands compliance options under EPA Act by allowing fleets to choose another petroleum reduction path.
- Fleets could opt-out of EPA Act AFV acquisition programs IF:
 - they reduce petroleum use by at least as much as if all AFVs that they otherwise would be required to purchase under EPA Act used alternative fuel 100 percent of time.

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ENERGY BILL

Alternative Compliance and Flexibility

- To comply with this new option, fleet operators cannot simply reduce the number of vehicles in their fleet.
- They can, however, purchase smaller vehicles, more petroleum efficient vehicles and alternative fuel vehicles.

ENERGY BILL

Review of EPAct of 1992 Programs

- Requires DOE to report to Congress on the effect of EPAct's AFV programs, incentives, etc.
- DOE to measure benefits in terms of increased vehicles and fuels, as well as the cost of compliance.
- DOE to make recommendations on changes to EPAct.

ENERGY BILL

Mobile Emissions Reductions Trading and Crediting

- Requires EPA to submit a report to Congress on the trading of mobile source emission reduction credits with owners and operators of stationary source emission sources to meet emission offset requirements within a non-attainment area.

ENERGY BILL

Alternative Fuels Report

- Requires DOE to conduct a study of the potential for hythane (HCNG) and biodiesel to become major, sustainable, alternative fuels.
- The hythane report shall provide:
 - a detailed assessment of potential hythane markets
 - the R&D activities that are necessary to facilitate the commercialization of hythane as a competitive, environmentally friendly transportation fuel

ENERGY BILL

Joint Flexible Fuel/Hybrid Vehicle Commercialization Initiative

- Establishes a research program to advance the commercialization of:
 - hybrid/flex-fuel vehicles and
 - plug-in hybrid/flex-fuel vehicles
- The legislation authorizes \$3 million for FY2006, \$7 million for FY2007, \$10 million for FY2008 and \$20 million for FY2009

ENERGY BILL

Railroad Efficiency Improvement

- New cost-shared railroad public/private program to develop and demonstrate technologies that:
 - increase fuel economy
 - reduce emissions and
 - lower costs of operations
- Authorization: \$15 million for FY2006; \$20 million for FY2007; and \$30 million for FY2008.

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