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H.R. 3221 - New Direction for Energy Independence, National Security, and Consumer Protection Act

H.R. 2776 - Renewable Energy and Energy Conservation Tax Act of 2007

H.R. 3221 - New Direction for Energy Independence, National Security, and Consumer Protection Act

Floor Situation

The House will consider 1 rule for the consideration of H.R. 3221 and H.R. 2776. There will be 1 vote on the passage of the rule. The rule does provide a separate Motion to Recommit and final passage for each bill. If both bills pass the House, H.R. 2776 will be added to the text of H.R. 3221 before it is sent to the Senate.

The rule self-executes a manager's amendment. The manager's amendment makes technical changes and adds language to titles II, IV, VII, VIII, and IX. The amendment adds the Feedstock Flexibility Program to the underlying bill and reduces funding for the biomass program contained in Title V sufficient to reduce outlays.

HR 3211 is being considered on the House floor pursuant to a structured rule.

- Provides 2 hours of general debate, with 15 minutes equally divided and controlled by the Chairman and Ranking Minority Members of each of the Committees on Energy and Commerce, Natural Resources, Science and Technology, Transportation and Infrastructure, Education and Labor, Foreign Affairs, Small Business, and Oversight and Government Reform (7 and a half minutes per side per committee).

- Waives all points of order against consideration of the bill except those arising under clause of 9 (earmarks) and 10 (PAYGO) of Rule XXI.

- Makes in order only those amendments made in order by the rule. Each amendment is debatable for 10 minutes (please see the Amendments section below).

- Provides one motion to recommit H.R. 3221 with or without instructions.

This legislation was introduced by Representative Nancy Pelosi (D-CA) on July 30, 2007. The bill was referred to the Committee on Energy and Commerce for original jurisdiction, but the Committee did not consider it. Subsequently, the bill was also referred to 9 other committees.

H.R 3221 is expected to be considered on the House floor on August 3, 2007.

Summary
Title I – Green Jobs
Title I is the text of the Green Jobs bill (H.R. 2847) that was introduced in the House by Representative Hilda Solis (D-CA). The bill was referred to the Committee on Education and Labor, which ordered the bill to be reported by a recorded vote of 26-18, with 1 present. This section creates a new program under the Workforce Investment Act (PL 105-220) pilot and demonstration authority.

**Note: In the minority views expressed in the Committee Report attached to H.R. 2847, Committee Republicans expressed concerns that this bill would add duplicative layers to the Workforce Investment Act.*

- Requires the Secretary of Labor to create a grant program for an energy efficiency and renewable energy worker training program.

- Target populations for this grant program will be given priority for training and other services for:

    - Workers affected by national energy and environmental policy;

    - Individuals in need of updated training related to the energy efficiency and renewable energy industries;

    - Veterans, or past and present members of the Armed Forces reserves;

    - Unemployed workers;

    - Individuals, including at-risk youth, seeking employment pathways out of poverty and into economic self-sufficiency; and,

    - Formerly incarcerated, adjudicated, non-violent offenders.

- Energy efficiency and renewable energy industries eligible for this program include the:

    - Energy-efficient building, construction, and retrofits industries;

    - Renewable electric power industries;
    - Energy efficient and advanced drive train vehicle industry;
    - Biofuels industry;
    - Deconstruction and materials use industries;
    - Energy efficiency assessment industry serving the residential, commercial, or industrial sectors; and,
    - Manufacturers that produce sustainable products using environmentally sustainable processes and materials.

- The Secretary of Labor is required to collect and analyze labor market data to track workforce trends resulting from energy-related initiatives carried out under this title.
- The Secretary must award National Energy Training Partnership Grants on a competitive basis to eligible entities to enable such entities to carry out training that leads to economic self-sufficiency and to develop an energy efficiency and renewable energy industries workforce. The bill requires entities to be non-profit organizations.
- This title requires the Secretary to award competitive grants to States to enable the States to administer labor market and labor exchange information programs. States will also be able to award grants to administer renewable energy and energy efficiency workforce development programs.

Title II – International Climate Cooperation Reengagement Act of 2007
Title II is the text of H.R. 2420, which was introduced by Rep. Tom Lantos (D-CA) and passed out of the Committee on Foreign Affairs on May, 23, 2007, by a recorded vote of 29-16.

**Note: 16 Republicans, including in the Ranking Member Ileana Ros-Lethinen (R-FL), filed minority views to the Committee Report to H.R. 2420. The view stated that: “the bill continues to miss the mark with regard to a Congressional statement of policy in Section 102(5)(A) requiring binding commitments on greenhouse gas emissions from all major emitting countries* based on their level of development *(emphasis added). This allows the largest polluters such as China, India, and Brazil to continue to escape binding commitments by claiming the status of developing countries despite the best intentions of the authors of H.R. 2420. It is worth recalling that the United States Senate voted 95-0 in 1997 against joining any convention that required the U.S. to cap emissions while giving a pass to large developing nations.”*

- Contains 15 findings of Congress regarding climate change.

- Contains 6 policies of the United States regarding climate change.

- Creates an Office of Climate Change within the Department of State. The head of the Office will be the Ambassador-at-Large for Global Climate Change. The Ambassador-at-Large is responsible for advancing the goals of the United States with respect to reducing the emissions of global greenhouse gases and addressing the challenges posed by global climate change.

    - The Ambassador-at-Large will be the principal advisor to the President and Secretary of State for matters relating to climate change and will be authorized to represent the United States regarding climate change when dealing with foreign states.

    - Funding for the Ambassador-at-Large will come from the Secretary of State.

- Contains 8 findings for Congress regarding energy.

- Requires that the Administrator of the United States Agency for International Development to support policies and programs that promote clean and efficient energy technologies. The bill authorizes $200 million for each fiscal year 2008 through 2012.

- Directs the Secretary of Commerce to expand or create a corps of the Foreign Commercial Service officers with the purpose of promoting United States exports in clean and efficient energy technologies and build the capacity of government officials in India, China, and any other countries the Secretary of Commerce deems appropriate. The bill authorizes such sums as are necessary for each fiscal year 2008 through 2012.

- Authorizes the Secretary of State to establish a global climate change exchange program. The United States and other countries will exchange students, trainees, teachers, instructors, professors, researchers, and other climate change professionals to focus on reducing greenhouse gases emissions and addressing the challenges posed by global climate change. The bill authorizes $3 million for each fiscal year 2008 through 2012.

- Creates, within the executive branch, the International Clean Energy Foundation. The Foundation will serve the long-term foreign policy and energy security goals of reducing global greenhouse gas emissions. The bill authorizes $20 million for each fiscal year 2008 through 2012.

Title III – Small Energy Efficient Businesses

Title III is the text of H.R. 2389, which was introduced by Representative Heath Shuler (D-NC). This legislation was ordered to be reported from the Committee on Small Business, by voice vote, on May 23, 2007.

- Adds additional eligibilities to small businesses to receive investments from the government, including:

    - Reduction of energy consumption by at least 10% (authorized at $4 million);

    - Increased use of sustainable design or low-impact design to produce buildings that reduce the use of non-renewable resources, minimize environmental impact, and relate people with the natural environment; or,

    - Plant, equipment and process upgrades of renewable energy sources such as micropower or renewable fuels producers included biodiesel and ethanol producers (authorized at $4 million).

- Requires the Small Business Administration to create a government-wide program to assist small businesses in becoming energy efficient.

Title IV- Science and Technology

- Creates the Advanced Research Projects Agency-Energy (“ARPA-E”) within the Department of Energy. The ARPA-E’s goal is to enhance the Nation’s economic and energy security through the development of energy technologies that result in reductions of imports of energy from foreign sources, reductions of energy-related emissions including greenhouse gases, improvements in the energy efficiency of all economic sectors, and to ensure that the United States maintains a technological lead in developing and deploying energy technologies.

- Establishes development, research, demonstration, and other commercial application programs for marine renewable energy technologies. This includes the creation of a National Centers for Marine Renewable Energy Research, Development, and Demonstration. The bill authorizes $50 million in for each fiscal year 2008 through 2012.

  **Note: This marine provision is the text of H.R. 2313, which was introduced by Darlene Hooley (D-OR). The bill was ordered to be reported from the Committee on Science and Technology, by voice vote, on June 21, 2007.*

- Directs the Secretary to assist the development of geoscientific tools and technologies that can assist the process of locating hydrothermal resources. The bill also creates an “industry-coupled exploratory drilling” program, which is a cost-sharing program with industry partners. The text provides for the establishment of two centers for technology transfer to function as clearinghouses for information regarding geothermal research. The text authorizes $90 million for each fiscal year 2008 through 2012.

  **Note: The above provision is the text of H.R. 2304, which was introduced by Rep. Jerry*

McNerney (D-CA). This bill was ordered to be reported from the Committee on Science and Technology, by voice vote, on June 21, 2007.

- Requires the Secretary to establish a program of research and development to provide low cost thermal energy storage technologies. The Secretary is also required to create solar energy projects which will provide an increase in the use and understanding of solar energy.

  **Note: The above provision is the text of H.R. 2774, which was introduced by Rep. Gabrielle Giffords (D-AZ). This bill was ordered to be reported from the Committee on Science on June 27, 2007.*

- Provides for the study of the physical infrastructure for the transportation of biofules. Requires a study on the challenges of increasing the use of biodiesel by 2.5%. Provides for grants to eligible entities for the study of biofuel production technologies in States with low rates of ethanol production.

  **Note: The above provision is the text of H.R. 2763, which was introduced by Rep. Nick Lampson (D-TX). This bill was ordered to be reported from the Committee on Science and Technology on June 27, 2007.*

- Permits field tests for technologies to capture and store greenhouse gases from power plants ("electric power generating systems").

  **Note: The above provision is the text of H.R. 1933, which was introduced by Rep. Mark Udall (D-CO). This bill was ordered to be reported from the Committee on Science and Technology on June 27, 2007.*

- Requires that the President to establish an interagency United States Global Change Research Program to improve understanding of global change, including providing the development of scenarios for climate, land change, population growth, and socioeconomic development. The bill also requires the study of ice sheets and hurricane frequency.

  **Note: The above provision is the text of H.R. 933, which was introduced by Rep. Mark Udall (D-CO). This bill was ordered to be reported from the Committee on Science and Technology on June 27, 2007.*

Title V - Agriculture Energy

- Requires the Secretary of Agriculture to provide loan guarantees to finance the development of biorefineries and biofuel production plants to demonstrate the commercial viability of converting biomass to fuels or chemicals. These guarantees can cover up to 90 percent of the loan, with the total value of the principle and interest guaranteed to be split between small plants and larger plants. The bill guarantees up to $600 million for loans valued at $100 million or less and up to $1 billion for loans valued at more than $100 million, but less than $250 million.

- Davis-Bacon Labor Provisions - This section of the bill includes a requirement that local prevailing wages (Davis-Bacon) be paid to workers in all construction projects funded by the grants or loans under this section.

- Reauthorizes, renames, and expands the renewable energy research and development program. The program provides loan guarantees, loans, and grants to promote renewable energy systems and efficiency in rural areas. The bill increases the percentage of the project cost that grants will cover from 50% to 75%. It also increases funding authority for the program to $425 million for the FY2008 to FY2012 period. The current authorization provides $23 million per fiscal year.

- Reauthorizes the Biomass Research and Development program through FY2012. The program would provide $350 million in funding for the period from FY2008 through FY2012 as well as an additional $200 million for each year from FY2006 through FY2015 to promote research and development projects that enhance the economic viability of biobased fuels and power and diversify sustainable domestic sources of biomass for conversion to biobased fuels and products.

- Establishes an Energy Council at the Department of Agriculture to coordinate department energy policy.

- Establishes the Forest Bioenergy Research program to provide grants to encourage new forest-to-energy technologies. The bill provides $36 million from FY2008-FY2012.

Title VI – Carbon-Neutral Government

Title VI is based on the text of H.R. 2635, which was introduced by Henry Waxman (D-CA). The bill was ordered to be reported from the Committee on Oversight and Government Reform, by voice vote, on June 12, 2007. According to CBO, implementing H.R. 2635 would cost $20 million in FY2008 and $340 million over the 2008-2012 period.

- Requires federal agencies to submit an annual report quantifying its direct and indirect greenhouse gas emissions. This includes the direct and indirect emissions created by work being performed for the agency by Federal contractors.

  **Note: Indirect emissions are defined as greenhouse gases "attributable to the generation of electricity used by the agency and the commercial air travel by agency personnel."*

- For each year following FY2010, agencies must reduce their overall emissions by 2 percent of the FY2010 level. This reduction puts the federal government on pace to achieve zero net annual greenhouse gas emissions by 2050.

- Requires agencies to submit, within 2 years of enactment, a plan for achieving the annual reduction requirement through 2020. These plans must be updated each subsequent 10-year period.

- The bill calls for the Administrator of the Environmental Protection Agency (EPA) to develop a cap-and-trade plan allowing agencies to use emissions offsets to meet their requirements.

- Authorizes such sums as are necessary to carry out the inventory and management of the greenhouse gases requirement.

  **Note: The bill allows the President to exempt an agency from compliance for a given year.*

- The EPA Administrator must annually issue greenhouse gas emissions standards for federal vehicles.

- The bill would implement an energy consumption standard for all new federal buildings and federal buildings undergoing major reconstruction. This standard requires that buildings be designed to use 55 percent less fossil fuels for energy consumption as compared to buildings constructed in 2003. This percentage would increase every 5 years, reaching a 100 percent reduction in fossil fuel-generated energy consumption by 2030.

- The bill prohibits agencies from purchasing alternative or synthetic fuels unless the greenhouse gas emissions from the fuel are equal to or less than the emissions produced by conventional petroleum sources.

Title VII – Natural Resources Committee Provisions
Title VII is the text of H.R. 2337, which was introduced by Nick Rahall (D-WV). The bill was ordered to be reported from the Committee on Natural Resources, by a recorded vote of 26-22, on June 13, 2007.

- Requires the Secretary of the Interior to promulgate regulations to create a cost recovery fee for applications for a permit to drill for oil and gas on Federal lands administered by the Secretary, and the fee will be $1,700 for each application received on or after October 1, 2007.

- Directs the Secretary to allow for the sustainable and publicly acceptable large-scale development of oil shale and tar sands within the Green River Formation in Colorado, Utah, and Wyoming. The bill also prohibits the drilling for oil and natural gas on the Roan Plateau in Colorado.

- The Minerals Management Service is required to perform 550 audits of oil and gas leases every fiscal year.

- Ends the "royalty relief" of 1998 and 1999. The bill permits those lease holders, who signed leases between January 1, 1998, and December 31, 1999, for offshore development of natural gas or oil in the Gulf of Mexico to renegotiate their lease to include royalty payments. If a lease holder refuses to sign a new lease, then they would be barred from gaining any new offshore drilling leases.

- The Secretary shall agree to amend any lease issued for any Central and Western Gulf of Mexico tract signed during the above period to incorporate price thresholds applicable to royalty suspension provisions that are equal to or less than the price threshold. The current threshold under current law, for most offshore drilling leases, requires royalty payments if the price of crude oil is at $28 a barrel for the yearly average. The new royalty provisions would be retroactive to October 21, 2006.

- Increases the penalties for violations by energy companies that knowingly fail to pay royalty relief. The bill creates a fine of up to $25,000 per day per violation. This is an increase from $10,000 per day per violation.

- Requires an operator producing oil or gas under a lease to, at a minimum, restore the land affected to a condition capable of supporting the uses that it was capable of supporting prior to any drilling.

- Requires an operator producing oil or gas under a lease to remediate or replace the water supply of water affected by drilling.

- Authorizes $2 million for each fiscal year 2008 through 2015 for new and ongoing research efforts to evaluate methods for minimizing wildlife impacts at wind energy projects and to explore effective mitigation methods that may be utilized for that purpose.

- Permits the Secretary to make grants to coastal States to identify potential areas suitable for the exploration, development, and production of alternative energy. Grants may not exceed $750,000 a year and by 2011 States must match the Federal funds.

- Creates a pilot program for the development of strategic solar reserves on Federal lands; this will be a 10-year program.

- Requires the Department to perform a study on the capacity to store carbon dioxide.

- Establishes a National Resources Management Council on Climate Change to address climate change on federal lands, the ocean, and the federal water infrastructure.

- Requires the Secretary to establish national polices to provide assistance to coastal states to voluntarily develop coastal climate change resiliency plans.

- Denies leases for drilling in the Gulf if an entity has not renegotiated their old lease(s) to include royalty price thresholds.

- Repeals incentives to explore the Planning Areas offshore Alaska.

Title VIII – Transportation and Infrastructure
Title VIII is the text of H.R. 2701, which was introduced by Rep. James Oberstar (D-MN). The bill was ordered to be reported from the Committee on Transportation and Infrastructure, by voice vote, on June 20, 2007.

- Creates within the Department of Center for Climate Change and Environment. The Center will study ways to reduce transportation-related energy use.

- Authorizes a total of $850 million for fiscal years 2008 and 2009. These funds will be used to reduce fares or expand their services in order to promote wider use of transit systems. $750 million would go to urban areas with more than 50,000 people and $100 million would go to areas with less than 50,000 people.

- Grants $10 million for grants to rail carriers to purchase hybrid locomotives for each fiscal year 2008 through 2011.

- Authorizes a program of capital grants for the rehabilitation, preservation, or improvement of class II and III railroads. The bill authorizes $250 million for each fiscal years 2008 through 2011.

- Requires a study for the feasibility of the construction of a pipeline dedicated to the transportation of ethanol, which is authorized for $1 million for fiscal years 2008 and 2009.

- Requires that each public building constructed, altered, or acquired by the Administrator of General Services must be equipped with lighting fixtures and bulbs that are energy efficient.

- Permits the Architect of the Capitol to perform a study regarding the construction of a photovoltaic roof for the Rayburn office building.

- Permits the Architect of the Capitol to construct a fuel tank and pumping system for E-85 fuel.

Title IX – Energy and Commerce

- Authorizes the Secretary to establish regional standards for space heating and air conditioning products at a national minimum standard, with stricter standards for regions with "significantly differing climatic conditions." Once the Secretary establishes regional standards, it would be illegal to sell or install products that do not meet the requirements.

- Establishes minimum energy efficiency standards for light bulbs and lighting fixtures that become effective on January 1, 2009. The bill further requires that any new lighting fixtures or light bulbs that are installed in public buildings to be energy efficient (certified by the Energy Star program).

- Requires states to revise their residential and commercial building codes every three years to achieve overall energy savings. Each state is required to certify to the Secretary within two years of enactment of this act that their building codes have been reviewed and updated to increase energy efficiency. The bill authorizes $125 million over the next five years for the federal government to offer "incentive grants" to encourage state compliance.

- Requires the Secretary to establish federal regulations for energy efficiency standards in manufactured housing within four years of enactment of this act. The bill establishes civil penalties of up to 1% of the manufacturer's retail list price of the manufactured housing for noncompliance.

- Requires the Secretary to establish the Office of Federal High-Performance Green Buildings, and an Office of Commercial High-Performance Green Buildings. Both offices will be charged with promoting and assisting the further development of "green" buildings that reduce energy and resource use as well as environmental impact. The Directors of both offices are required to identify incentives to encourage the use of green buildings and related technology.

- Requires the new Director of the Office of Commercial High-Performance Green Buildings to evaluate the feasibility of a national goal to reduce commercial energy use and achieve zero-net-energy commercial buildings, subject to the Director's approval the bill sets goals of achieving:

  - All newly constructed commercial buildings to be zero-net-energy by 2025,

- 50% of the existing stock of commercial buildings to be zero-net-energy by 2035, and;

- All commercial buildings to be zero-net-energy by 2050.

➢ Authorizes the Administrator of the EPA to establish a national registry of "Recoverable Waste-Energy Sources," consisting of "waste energy projects or combined heat and power system projects [that] may have economic feasibility with a payback of invested costs within 5 years or less of the first full project operation." The Administrator is authorized to pay up to half of the total costs for owners of selected sites to conduct feasibility studies to confirm the feasibility of conducting a waste energy project on a particular site. The bill authorizes $900 million over the next five years for the Administrator to make grants to owners and operators of waste energy projects. The grants are made to pay the owners and operators at a rate of $10 per megawatt hour of documented electricity produced form recovered waste energy. States are also eligible for grants of up to $1,000 per Megawatt of waste-heat capacity recovered, if the state achieves 80% or more of waste-heat recovery opportunities identified by the Administrator, and $50 million is authorized for the next five years to make these grants to states.

➢ Creates a 9 member Grid Modernization Commission to facilitate the adoption of Smart Grid standards, technologies, and practices across the Nation's electricity grid to the point of general adoption and ongoing market support in the United States electric sector.

➢ Requires the Secretary of Energy to create a program for making grants for providing assistance to retail and wholesale motor fuel dealers or other entities for the installation, replacement, or conversion of motor fuel storage and dispensing infrastructure to be used exclusively to store and dispense renewable fuels.

Amendments Made in Order Pursuant to the Rule

Rep. Blumenauer (D-OR): (REVISED) The amendment to title IX would encourage natural gas utilities to plan for and prioritize energy efficiency. It requires state regulators to consider crafting rate policies that align utility revenue recovery measures with incentives for energy conservation.

Rep. Shays (R-CT): The amendment doubles the current level of funding for 2007 and 2008 for the weatherization assistance program in section 9034(a).

Reps. Hooley (D-OR)/McCaul (D-TX)/Matheson (D-UT): The amendment to title IX authorizes the Administrator of the EPA to enter into an arrangement with the Secretary of Education & the Secretary of Energy to conduct a study of how sustainable building features such as energy efficiency affect multiple perceived indoor environmental quality stressors on students in K-12 schools. There are authorized to be appropriated for carrying out this section $200,000 for each of the fiscal years 2008 through 2012.

Rep. Pitts (D-PA): The amendment would except boilers that operate without the need for electricity supply from the energy efficiency requirements in section 9003(4) of the bill, regarding appliance efficiency.

Rep. Terry (R-NE): The attached amendment to title IX would add a section to accelerate the adoption of geothermal heat pumps by the Federal government.

Rep. Tom Udall (D-NM) et al.: (REVISED) Requires electric suppliers, other than governmental entities and rural electric cooperatives, to provide 15 percent of their electricity using renewable energy resources by the year 2020. Allows 4 percent of the requirement to be satisfied with electricity efficiency measures.

Rep. Van Hollen (D-MD): The amendment to title IX would add a sixth policy option to H.R. 3221's existing "State Must Consider" language asking state regulatory authorities and nonregulated utilities to consider "offering home energy audits, publicizing the financial and environmental benefits associated with home energy efficiency improvements and educating homeowners about all existing federal and state incentives, including the availability of low-cost loans, that make home energy efficiency improvements more affordable."

Rep. Schwartz (D-PA): The amendment to title IX requires all federal government agencies to change their acquisitions rules for planning meetings and conferences to consider the environmentally preferable features and practices of a vendor, similar to the acquisition rules of the Environmental Protection Agency.

Rep. Arcuri (D-NY)/Hinchey (D-NY)/Rep. John Hall (D-NY): The amendment to title IX would repeal the availability of Federal eminent domain authority for use by companies permitted by FERC to construct or modify transmission lines within National Interest Electric Transmission Corridors. In place of this, the amendment would amend section 216(e) of the Federal Power Act to require permitted companies to proceed in accordance with state law for the state in which the property is located.

Rep. Hodes (D-NH)/Welch (D-VY): The amendment to title IX would order the Secretary of Energy to conduct a study of the renewable energy system rebate program for homes and small businesses, described in section 206-c of the Energy Policy Act of 2005. The study would require a plan for the program if it were funded, and determine the minimum amount the program would need to be viable.

Rep. Murphy (D-PA): (REVISED) This amendment modifies Sec. 9502(a) of H.R. 3221 to ensure that the Energy Information Administration restores its previously-terminated collection of data on solid by-products from coal-based energy producing facilities and makes improvements on these data.

Rep. Murphy (D-PA): (REVISED) This amendment to title IX will require the Federal Energy Regulatory Commission to hold one public meeting before issuing a permit, license, or authorization that will affect land use when a public meeting is requested by at least five individuals or an organization representing 30 or more people. If a request for reconsideration is granted and the request was filed before enactment of this section and a hearing had not been held before the permit or authorization concerned was issued, the Commission must hold a hearing.

Rep. Sali (D-ID): The amendment to title IX provides a sense of the Congress recognizing and supporting large and small scale conventional hydropower.

Rep. Welch (D-VT): The amendment to title IX would establish a grant program for Colleges and Universities to invest in sustainable and efficient energy projects, up to $1 million for efficiency and $500,000 for sustainability.

Rep. Castle (R-DE)/Delahunt (D-MA): The amendment to title VII requires the Minerals Management Service to submit a report to Congress on the status of regulations required to be issued with respect to offshore wind energy production.

Rep. Wu (D-OR): Amends title IV to require the Secretary of Energy to establish a grant program for universities to research and develop renewable energy technologies. Priority is given to universities in low income and rural communities with proximity to trees dying of disease or insect infestation. Authorizes $25 million for the total program.

Rep. Giffords (D-AZ): (REVISED) This amendment to title IV would require the Secretary of Energy to create a Solar Energy Industries Research and Promotion Board and a Solar Energy Research and Promotion Operating Committee. The Board and Committee would work with manufacturers and importers of solar energy products to improve the image of and promote solar energy products. The solar program would be funded by industry fees. No funds are authorized.

Rep. Tauscher (D-CA)/Rep. Mike Rogers (R-MI): The amendment to title VIII would create a pilot program in urbanized and other than urbanized areas to increase the use of vanpooling and the number of vanpools in service.

Rep. Holt (D-NJ): The amendment to title VIII would require the Center for Climate Change Environment and the Environmental Protection Agency to examine the potential fuel savings from intelligent transportation systems that would help businesses and consumers to plan their travel and avoid delays, including web-based real-time transit information systems, congestion information systems, carpool information systems, parking information systems, freight route management, and traffic management systems.

Rep. Hastings (D-FL): The amendment to title II makes findings regarding fuel supplies and expresses the Sense of Congress that the U.S. should further global energy security and promote democratic development in resource rich foreign countries by encouraging further participation in the Extractive Industries Transparency Initiative (EITI) and other international initiatives.

Rep. Solis (D-CA)/Carnahan (D-MO): This amendment to title II requires an assessment of current and anticipated needs of developing countries in adapting to climate change, which includes a strategy to address these needs and an identification of funding sources for such purposes.

Rep. Cleaver (D-MO): The amendment to the Energy Policy Act of 1992 would prohibit any Federal agency, including any office of the legislative branch, from acquiring a light duty motor vehicle or medium duty motor vehicle that is not a low greenhouse gas emitting vehicle.

Rep. Sarbanes (D-MD)/Wolf (R-VA): (REVISED) The amendment to title VI requires federal agencies to develop and implement a telework (work from home or close to home) policy for eligible employees excluding those who handle secure materials or special equipment; are assigned to national security functions; or voluntarily decline the telework option.

Cost

The Congressional Budget Office has not scored this legislation.

Background

H.R. 3221 was introduced by Speaker Pelosi on July 30, 2007. It was referred to 10 separate committees, but was not considered by any of them. These Committees include: Energy and Commerce; Education and Labor; Foreign Affairs; Small Business; Science and Technology; House Agriculture; Oversight and Government Reform; Natural Resources; Transportation and Infrastructure; and Armed Services.

This legislation will come to the floor as a package with H.R. 2771, the Renewable Energy and Energy Conservation Tax Act of 2007. This bill contains similar tax increases that were in H.R. 6, which passed the House earlier this year.

Speaker Pelosi promised to bring energy legislation to the floor by July 4, 2007, but did not quite reach that goal. "I am asking the committees that have jurisdiction over energy, environment and technology policy to report legislation on these issues by June. We hope to have legislation on global warming and energy independence through committees by July 4th, so that this year, Independence Day is also 'Energy Independence Day.'" Press Release dated January 18, 2007.

During the initial 100 hours of the 110th Congress, the House passed the CLEAN Energy Act of 2007 (H.R. 6) on January 18, 2007, by a recorded vote of 264 - 163 (Roll no. 40). H.R. 6

increased taxes on domestic oil and gas producers and removed tax incentives for oil and natural gas companies to produce and manufacture their products in the United States. On June 21, 2007, the Senate passed an amended version of H.R. 6. Democrat leaders decided against going to conference on H.R.6 and instead brought H.R. 3221 to the floor.

The President issued a Statement of Administration Policy on August 3, 2007. In that SAP, the president issues a veto threat for both H.R. 3221 and H.R. 2776. "Because H.R. 2776 and H.R. 3221 fail to deliver American consumers or businesses more energy security, but rather would lead to less domestic oil and gas production, higher energy costs, and higher taxes, the President's senior advisors would recommend that he veto these bills."

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H.R. 2776 - Renewable Energy and Energy Conservation Tax Act of 2007

Floor Situation
H.R. 2776 is being considered on the House floor pursuant to a closed rule. The rule:

- Provides 1 hour of debate equally divided and controlled by the Chairman and Ranking Minority Member of the Committee on Ways and Means.
- Waives all points of order against consideration of the bill except those arising under clause of 9 (earmarks) and 10 (PAYGO) of Rule XXI.
- Provides 1 motion to recommit with or without instructions.

This legislation was introduced by Representative Charles Rangel on June 19, 2007. The bill was ordered to be reported by the Ways and Means Committee by a vote of 24 to 16.

H.R. 2776 is expected to be considered on the House floor on August 3, 2007.

Executive Summary
The Renewable Energy and Energy Conservation Tax Act of 2007 (H.R. 2776) represents the tax portion of the Democrats' energy legislation (see legislative digest on H.R. 3221 for other portions of the energy legislation). This legislation includes over $15 billion in tax increases. Additionally, this legislation makes adjustments to current tax laws relating to energy.

Ways and Means Committee Republicans criticized the Democrats' bill for failing to address the need to reduce our dependence on foreign sources of energy and may even "decrease our energy independence. For example, the bill would allocate $6 billion in tax credit bonds to states and localities to use largely at their whim. The bill has no certification requirement that those expenditures actually be used to reduce greenhouse gases or fossil fuel consumption. Likewise, the punitive tax increases on domestic oil and gas producers will almost certainly increase our reliance on foreign sources of energy."

This bill contains several tax increases that were not included within the Renewable Fuels, Consumer Protection, and Energy Efficiency Act of 2007 (H.R. 6), which passed the House by a vote 254 to 163 (with 159 Republicans voting against the legislation).

H.R. 2776 was ordered to be reported by the Ways and Means Committee by a vote of 24 to 16.

Summary

Title I

According to the Joint Committee on Taxation (JCT), Title I would reduce revenues by $5 million in 2007, by $2.2 billion over the 2007-2012 period, and by $7.8 billion over the 2007-2017 period.

- Extends for four years an income tax credit of 1.5 cents per kilowatt hour (indexed annually) of electricity produced for wind, closed-loop biomass, open-loop biomass, geothermal energy, solar energy, small irrigation power, municipal solid waste, and qualified hydropower production. Furthermore, this provision limits the amount production tax credit that can be claimed. Additionally, this legislation adds hydrokinetic energy as a qualifying energy source, which includes waves, tides, currents, free flowing water in a man-made channel and ocean thermal conversion.

  **Note: This provision, for the first time, limits the value of the wind energy credit. According to the JCT this provision would reduce revenues by $1.4 billion over the 2007-2012 period and by $6.6 billion over the 2007-2017 period.*

- Extends for eight years the 30% current business energy credit for solar and fuel cell property. Additionally, this provision increases the cap on the fuel cell credit and allows the credit to be claimed against the Alternative Minimum Tax.

- Creates a new category of clean renewable energy bonds for public power providers and cooperative electric companies to assist in financing qualified renewable energy facilities (including wind, closed-loop biomass, open-loop biomass, geothermal energy, solar energy, small irrigation power, municipal solid waste, and qualified hydropower production). These bonds would be "strippable" and "tradable." Davis-Bacon standards would apply to projects funded through these bonds.

- Extends for two years a tax deferral that allows gains in property sales of electric transmission property to be spread over eight years.

- Removes the current caps on the tax credits for residential fuel cell, solar electric and solar hot water heating property. This tax credit is available for purposes other than heating swimming pools or hot tubs and is equal to 30% of expenditures.

Title II
According to the JCT, Title II would reduce revenues by $3 million in 2007, by $2.1 billion over the 2007-2012 period, and by $5.8 billion over the 2007-2017 period.

- Establishes a $4,000 credit for plug-in hybrid vehicles, which can be increased by $200 if the vehicle uses a battery with at least 5 kilowatt-hours of capacity and an additional $200 for each additional kilowatt-hour (up to $2,000). Eligible vehicles must be under 14,000 pounds and the credit is available for 60,000 vehicles per manufacturer.

  **Note: According to the JCT this provision would reduce revenues by $189 million over the 2007-2012 period and by $1.2 billion over the 2007-2017 period.*

- Extends the current credit for the alternative fuel vehicle refueling property for 10 years, increases the amount of the credit from 30% to 50% of the cost of the property, and caps the credit at $50,000 (previously $30,000).

- Extends the biodiesel and renewable diesel tax credits for two years.

- Establishes an income tax credit of 50 cents per gallon for cellulosic fuel production.

  **Note: Under current law, there is a 51 cent per gallon tax credit for ethanol used in the production of a mixture of alcohol and gasoline. This credit would remain.*

- Extends the current exclusion for qualified transportation fringe benefits to cover the expenses of employees that commute to work by bicycle ($20 per month).

- Expands the definition of luxury vehicles (for tax purposes) to any new vehicle up to 14,000 pounds. Therefore, vehicles over this weight limit would be subject luxury auto taxes. This provision exempts certain business-related vehicles.

  **Note: The Committee Report (drafted by the majority) states: "Because heavier vehicles tend to be less fuel efficient, the Committee feels that energy policy would be best served by removing the incentive for heavier vehicles."*

- Requires the Federal government to forfeit its claim to $2 billion in Federal income taxes withheld on behalf of New York City and state employees in order to fund transportation infrastructure projects.

- Establishes a new category of tax-credit bonds in order to finance qualified conservation purposes, such as capital expenses incurred to reduce consumption in publicly owned buildings, research facilities and grants, mass commuting facilities, public education campaigns, and demonstration projects. These bonds would be "strippable" and "tradable." Davis-Bacon standards would apply to projects funded through these bonds.

  **Note: Republicans on the Ways and Means Committee have expressed significant concerns with this provision. According to the dissenting views in the Committee Report, "these bonds allow the purchaser to receive a federal tax credit in lieu of interest payments. Allowing states and local municipalities to issue tax credit bonds is simply an end run around the federal appropriations process…the cost to the federal government of using tax credit bonds is greater than the cost of financing appropriations through conventional borrowing by the Treasury Department. We do not understand why the Federal government would choose such an inefficient funding mechanism. Even more so, we are opposed to the ''strippable'' feature of the tax credit bonds, an unprecedented expansion of tax credit bonds that will permit the tax credit portion of the debt to be separated from the principal and sold off to taxpayers with no other connection to the bond itself. We have substantial concerns about the ability to track the holders of these stripped credits and find this to be an odd result for a Congress that has been so concerned about the 'tax gap.'"*

  According to the JCT, this provision would reduce revenues by less than $500,000 in 2007, by $481 million over the 2007-2012 period, and by $1.5 billion over the 2007-2017 period.

- Establishes a new category of tax credit bonds called "residential energy efficiency assistance bonds," which can be used to (1) acquire Energy Star approved property; (2) acquire property that uses wind, solar, geothermal energy or fuel cells to generate electricity, (3) make heat or cool a unit; improvements certified by an "energy efficiency expert." The amount of the credit is capped as follows: 20% reduction in energy consumption -- $5,000; 35% reduction -- $8,000; 50% reduction -- $12,000.

  **Note: Republicans on the Ways and Means Committee have expressed significant concerns with this provision. According to the dissenting views in the Committee Report, "these bonds allow the purchaser to receive a federal tax credit in lieu of interest payments. Allowing states and local municipalities to issue tax credit bonds is simply an end run around the federal appropriations process…the cost to the federal government of using tax credit bonds is greater than the cost of financing appropriations through conventional borrowing by the Treasury Department. We do not understand why the Federal government would choose such an inefficient funding mechanism. Even more so, we are opposed to the ''strippable'' feature of the tax credit bonds, an unprecedented expansion of tax credit bonds that will permit the tax credit portion of the debt to be separated from the principal and sold off to taxpayers with no other connection to the* *bond itself. We have substantial concerns about the ability to track the holders of these stripped credits and find this to be an odd result for a Congress that has been so concerned about the 'tax gap.'"*

- Extends the energy-efficient commercial buildings deduction through 2013.

- Extends the tax manufacturers tax credit for energy efficient dishwashers, clothes washers, refrigerators and dehumidifiers (new credit). The level of the credit depends on the efficiency of the appliance and caps the credit to $75 million per year per manufacturer.

- Establishes a five year recovery period for any qualified energy management device (previously a 20 year depreciable life).

  **Note: According to the JCT, this provision would reduce revenues by $371 million over the 2007-2012 period and by $1.3 billion over the 2007-2017 period."*

- Authorizes the National Academy of Sciences to review the tax code for the largest impacts on carbon and green house gas emissions. Additionally, authorizes a NAS study on biofuels.

Title III
According to the JCT, Title III would increase revenue by $8 million in 2007, by $6.1 billion over the 2007-2012 period, and by $15.3 billion over the 2007-2017 period.

- Denies the manufacturing deduction (section 199 tax code) for exploration, production and refining of oil and natural gas, which was created in 2004 to help encourage the preservation and expansion of manufacturing jobs in the United States.

  **Note: A similar provision was included in HR 6. Some have expressed concerns that this provision dis-incentivizes domestic production and places U.S. producers and refiners at a competitive disadvantage.*

  According to the JCT, this provision would increase revenues by $4.2 billion over the 2007-2012 period and by $11.4 billion over the 2007-2017 period

- Requires that major oil companies (6 in total) that are currently required to amortize (depreciate an expense evenly over a duration of time) their geological and geophysical costs over a period of 5 years will have their amortization period extended to 7 years.

**Note: This provision was included in HR 6. Some have expressed concerns that this provision will make domestic exploration projects less competitive and will encourage foreign production, while discouraging increased domestic production.*

- Requires foreign-based income and tax for oil companies (Section 199 in the tax code) to be reclassified as foreign oil and gas extraction income, which will result in smaller tax credits for companies that have non-U.S. oil and gas production income.

  **Note: This provision was included in HR 6. Some have expressed concerns with the impact of the tax increase on U.S. companies, including the impact on U.S. jobs supporting foreign operations.*

  According to the JCT, these provisions would increase revenues by $4 million in 2007, by $1.6 billion over the 2007-2012 period, and by $3.6 billion over the 2007-2017 period.

- Denies the current $1 per gallon renewable diesel tax credit for co-produced fuel.

  **Note: According to Ways and Means Republicans, this provision is targeted at one company in order to deny tax credit for its process of combining biomass into its oil refining process to produce high-grade renewable diesel*

- Makes foreign produced fuel (being used outside of the U.S) ineligible for a biodiesel tax credit.

Cost
"The Joint Committee on Taxation (JCT) estimates that enacting H.R. 2776 would decrease revenues by less than $500,000 in 2007, increase revenues by $1.8 billion over the 2007-2012 period, and increase revenues by $1.7 billion over the 2007-2017 period. JCT also estimates that the bill would increase outlays by $876 million over the 2007-2012 period and by $1.7 billion over the 2007-2017 period. The Congressional Budget Office (CBO) estimates that implementing the bill would cost $3 million to $4 million annually, subject to appropriation of the necessary amounts."

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