

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. BUNNING (for himself, Mr. Obama, Mr. Lugar, Mr. Pryor, Ms. Murkowski, Mr. Bond, Mr. Thomas, Mr. Martinez, Mr. Enzi, Ms. Landrieu, and Mr. Craig):

S. 154. A bill to promote coal-to-liquid fuel activities; to the Committee on Energy and Natural Resources.

Mr. BUNNING. Mr. President, I rise today to introduce the Coal-to-Liquid Fuel Promotion Act of 2007.

For too long, America has ignored its energy security. Many of us can remember the energy crises of the 1970s. We were held ransom by a monopolistic oil cartel and forced to endure shortages, gas lines, and high prices. In the early 1980s, just as America began to invest in alternative fuels, the oil-producing states of the world crashed prices to make new technology uncompetitive.

During most of the last 25 years, we have enjoyed low prices and plentiful supply, but we have paid a price. Today, we find America is addicted to oil.

Since September 11, we have seen the fragile state of our energy markets. Domestic disasters and terrorism can send energy prices spiraling out of control. Our energy resources are stretched to the limits, and small supply disruptions ripple through the entire economy. America needs a secure domestic source to ease our dependency on imported oil.

That is why today I am reintroducing my bill, the Coal-to-Liquid Fuel Promotion Act with the current Presiding Officer, Senator Obama of Illinois. I have worked with the coal and fuel industries, the Department of Defense, and environmental groups to identify the needs of the coal-to-liquid industry and the best way for the Government to support the coal-to-liquid development.

Coal has long been America's most abundant fuel resource and has driven our economic growth since the industrial revolution. In the coal-to-liquid process, coal is gasified, the gas is run through the FischerTropsch process, and the resulting fuel is refined into jet fuel and diesel fuel. The final product is cleaner than conventional fuels because nearly all of the sulfur and nitrogen is removed.

While this technology is just taking root in America, South Africa meets 30 percent of its fuel needs with coal. CTL technology lets America capitalize on a domestic resource that will fuel economic growth and produce the energy security required in today's world. Many of my colleagues may ask one question right now: If this technology is so great and could replace expensive imports from the Middle East, why hasn't it been done already? The answer is simple: costs and market uncertainty.

A typical size CTL plant costs more than \$2 billion to construct. With complicated plans and environmental permits, a new plant could take 5 to 8 years to build. This is a challenge for even the biggest risk-takers on Wall Street. Raising the capital needed to develop a new technology is always difficult, but the multibillion dollar investment scale of a CTL plant has made it nearly impossible.

On top of this is the uncertainty of the price of oil. America has seen oil prices rise dramatically in the last few years. But investors are concerned that oil prices could drop to the low levels of the 1980s and make CTL plants uncompetitive again. I believe oil prices will stay above the price range that keeps CTL profitable, which is estimated to be between \$40 and \$50 per barrel. But even if oil prices were to drop that low in the next few decades, I believe CTL would more than pay for itself by insulating us from supply shocks and providing a secure domestic fuel supply for the military, businesses such as airlines and trucking, and the average American's car.

The Federal Government must act to help industry overcome these hurdles. This legislation will provide a combination of incentives to create a network of coal-to-liquid production in the United States.

The Coal-to-Liquid Fuel Promotion Act of 2007 has three parts. First, this bill addresses the need to pull together the investors and the billions of dollars required to build a CTL plant. It expands and enhances the Department of Energy's loan guarantee program included in the Energy Policy Act we passed in 2005. It expressly authorizes DOE to administer loan guarantees for the Nation's first CTL plants. These plants must be large scale, which is a minimum production of 10,000 barrels a day of liquid fuel. This program is only for the first 10 commercial plants. By then, we should have proven the economics of this technology and no further incentives will be needed.

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It also provides a new program of matching loans. The loans are capped at \$20 million and must be matched dollar-for-dollar by non-Federal money. They must be repaid as soon as the plants are financed.

Second, this legislation would fundamentally alter the economics of CTL plants during and after construction. It expands the investment tax credits and expensing provisions enacted in the Energy Policy Act of 2005. It increases the 20-percent tax credit for CTL plants to a maximum of \$200 million for each of the first 10 CTL plants. It also extends the expiring exploration of the fuel excise tax credits for CTL from 2009 to 2020. The current provisions will expire long before the first CTL plant is even operational. This extension will provide a meaningful timeframe for CTL plants to benefit from the same tax incentives we offer renewable and hydrogen fuels.

This bill also provides an incentive for CTL plants to capture carbon emissions. We can use CO₂ to produce oil in depleted wells or extract coalbed methane.

Third, this bill provides the Department of Defense the funding to purchase, test, and integrate CTL fuels into the military. In the last few months, the Air Force has successfully tested CTL fuels in B-52 bombers. These tests are proving to the DOD and to industry that CTL fuels are as safe and reliable as the fuels produced today.

This legislation also instructs the DOD to conduct a study on CTL fuel storage and its inclusion in the Strategic Petroleum Reserve.

It authorizes the construction of storage facilities for CTL fuel and allows the Strategic Petroleum Reserve to hold up to 20 percent of its stock in the form of CTL-finished fuels.

By combining the abilities of the Department of Energy and the Department of Defense with incentives in the Tax Code, I am confident this legislation will help Kentucky, and America, become the world leaders in coal-to-liquid fuel promotion. This coal-to-liquid fuel legislation made headlines during the summer of 2006 when gas prices were at a near record high. Yet when prices fell, the pressure to pass this legislation also decreased. We have been very lucky that a mild winter has held down demand. We will not always be this lucky.

No matter what energy prices are, America needs a domestic source of fuel. This year alone we will send \$250 billion to foreign countries, mostly in the Middle East, just to buy oil. Imagine what we could have done here at home with trillions of dollars we have spent on oil in the last few decades.

There is no room for politics in energy security. In the 110th Congress, Senator OBAMA and I will work hard with all of our colleagues to pass this important legislation. I especially look forward to working with my new chairman in the Energy Committee, Senator BINGAMAN, and my ranking member, Senator DOMENICI, on this important bill.

I now send to the desk the Coal-to-Liquid Fuel Promotion Act of 2007 and the related Coal-to-Liquid Fuel Energy Act of 2007. I ask unanimous consent these two bills be printed with my remarks in the RECORD.

The PRESIDING OFFICER. without objection, the bills will be received and appropriately referred.

Mr. CONRAD. Mr. President, first I commend my colleague from Kentucky for his legislation. This is an area in which I have had a continuing interest as well. I salute him because one of the great challenges facing our Nation is to dramatically reduce our dependence on foreign energy. That is in our energy interest, it is in our economic interest, it is in our vital security interest. I commend my colleague from Kentucky for coming to the floor and offering his proposal on what we could do to make progress. I thank the Senator.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 154

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Coal-to-Liquid Fuel Energy Act of 2007”.

SEC. 2. DEFINITIONS.

In this Act:

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

(A) with respect to a process or technology, the use of a feedstock, the majority of which is the coal resources of the United States, using the class of reactions known as Fischer-Tropsch, to produce synthetic fuel suitable for transportation; and

(B) with respect to a facility, the portion of a facility related to producing the inputs to the Fischer-Tropsch process, the Fischer-Tropsch process, finished fuel production, or the capture, transportation, or sequestration of byproducts of the use of a feedstock that is primarily domestic coal at the Fischer-Tropsch facility, including carbon emissions.

(2) SECRETARY.—The term “Secretary” means the Secretary of Energy.

SEC. 3. COAL-TO-LIQUID FUEL LOAN GUARANTEE PROGRAM.

(a) Eligible Projects.—Section 1703(b) of the Energy Policy Act of 2005 (42 U.S.C. 16513(b)) is amended by adding at the end the following:

“(11) Large-scale coal-to-liquid facilities (as defined in section 2 of the Coal-to-Liquid Fuel Energy Act of 2007) that use a feedstock, the majority of which is the coal resources of the United States, to produce not less than 10,000 barrels a

day of liquid transportation fuel.”.

(b) Authorization of Appropriations.—Section 1704 of the Energy Policy Act of 2005 (42 U.S.C. 16514) is amended by adding at the end the following:

“(c) Coal-to-Liquid Projects.—

“(1) IN GENERAL.—There are authorized to be appropriated such sums as are necessary to provide the cost of guarantees for projects involving large-scale coal-to-liquid facilities under section 1703(b)(11).

“(2) ALTERNATIVE FUNDING.—If no appropriations are made available under paragraph (1), an eligible applicant may elect to provide payment to the Secretary, to be delivered if and at the time the application is approved, in the amount of the estimated cost of the loan guarantee to the Federal Government, as determined by the Secretary.

“(3) LIMITATIONS.—

“(A) IN GENERAL.—No loan guarantees shall be provided under this title for projects described in paragraph (1) after (as determined by the Secretary)—

“(i) the tenth such loan guarantee is issued under this title; or

“(ii) production capacity covered by such loan guarantees reaches 100,000 barrels per day of coal-to-liquid fuel.

“(B) INDIVIDUAL PROJECTS.—

“(i) IN GENERAL.—A loan guarantee may be provided under this title for any large-scale coal-to-liquid facility described in paragraph (1) that produces no more than 20,000 barrels of coal-to-liquid fuel per day.

“(ii) NON-FEDERAL FUNDING REQUIREMENT.—To be eligible for a loan guarantee under this title, a large-scale coal-to-liquid facility described in paragraph (1) that produces more than 20,000 barrels per day of coal-to-liquid fuel shall be eligible to receive a loan guarantee for the proportion of the cost of the facility that represents 20,000 barrels of coal-to-liquid fuel per day of production.

“(4) REQUIREMENTS.—

“(A) GUIDELINES.—Not later than 180 days after the date of enactment of this subsection, the Secretary shall publish guidelines for the coal-to-liquids loan guarantee application process.

“(B) APPLICATIONS.—Not later than 1 year after the date of enactment of this subsection, the Secretary shall begin to accept applications for coal-to-liquid loan guarantees under this subsection.

“(C) DEADLINE.—Not later than 1 year from the date of acceptance of an application under subparagraph (B), the Secretary shall evaluate the application and make final determinations under this subsection.

“(5) REPORTS TO CONGRESS.—The Secretary shall submit to the Committee on Energy and Natural Resources of the Senate and the Committee on Energy and Commerce of the House of Representatives a report describing the status of the program under this subsection not later than each of—

“(A) 180 days after the date of enactment of this subsection;

“(B) 1 year after the date of enactment of this subsection; and

“(C) the dates on which the Secretary approves the first and fifth applications for coal-to-liquid loan guarantees under this subsection.”.

SEC. 4. COAL-TO-LIQUID FACILITIES LOAN PROGRAM.

(a) Definition of Eligible Recipient.—In this section, the term “eligible recipient” means an individual, organization, or other entity that owns, operates, or plans to construct a coal-to-liquid facility that will produce at least 10,000 barrels per day of coal-to-liquid fuel.

(b) Establishment.—The Secretary shall establish a program under which the Secretary shall provide loans, in a total amount not to exceed \$20,000,000, for use by eligible recipients to pay the Federal share of the cost of obtaining any services necessary for the planning, permitting, and construction of a coal-to-liquid facility.

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(c) Application.—To be eligible to receive a loan under subsection (b), the eligible recipient shall submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary may require.

(d) Non-Federal Match.—To be eligible to receive a loan under this section, an eligible recipient shall use non-Federal funds to provide a dollar-for-dollar match of the amount of the loan.

(e) Repayment of Loan.—

(1) IN GENERAL.—To be eligible to receive a loan under this section, an eligible recipient shall agree to repay the original amount of the loan to the Secretary not later than 5 years after the date of the receipt of the loan.

(2) SOURCE OF FUNDS.—Repayment of a loan under paragraph (1) may be made from any financing or assistance received for the construction of a coal-to-liquid facility described in subsection (a), including a loan guarantee provided under section 1703(b)(11) of the Energy Policy Act of 2005 (42 U.S.C. 16513(b)(11)).

(f) Requirements.—

(1) GUIDELINES.—Not later than 180 days after the date of enactment of this Act, the Secretary shall publish guidelines for the coal-to-liquids loan application process.

(2) APPLICATIONS.—Not later than 1 year after the date of enactment of this Act, the Secretary shall begin to accept applications for coal-to-liquid loans under this section.

(g) Reports to Congress.—Not later than each of 180 days and 1 year after the date of enactment of this Act, the Secretary shall submit to the Committee on Energy and Natural Resources of the Senate and the Committee on Energy and Commerce of the House of Representatives a report describing the status of the program under this section.

(h) Authorization of Appropriations.—There is authorized to be appropriated to carry out this section \$200,000,000, to remain available until expended.

SEC. 5. LOCATION OF COAL-TO-LIQUID MANUFACTURING FACILITIES.

The Secretary, in coordination with the head of any affected agency, shall promulgate such regulations as the Secretary determines to be necessary to support the development on Federal land (including land of the Department of Energy, military bases, and military installations closed or realigned under the defense base closure and realignment) of coal-to-liquid manufacturing facilities and associated infrastructure, including the capture, transportation, or sequestration of carbon dioxide.

SEC. 6. STRATEGIC PETROLEUM RESERVE.

(a) Development, Operation, and Maintenance of Reserve.—Section 159 of the Energy Policy and Conservation Act (42 U.S.C. 6239) is amended—

(1) by redesignating subsections (f), (g), (j), (k), and (l) as subsections (a), (b), (e), (f), and (g), respectively; and

(2) by inserting after subsection (b) (as redesignated by paragraph (1)) the following:

“(c) Study of Maintaining Coal-to-Liquid Products in Reserve.—Not later than 1 year after the date of enactment of the Coal-to-Liquid Fuel Energy Act of 2007, the Secretary and the Secretary of Defense shall—

“(1) conduct a study of the feasibility and suitability of maintaining coal-to-liquid products in the Reserve; and

“(2) submit to the Committee on Energy and Natural Resources and the Committee on Armed Services of the Senate and the Committee on Energy and Commerce and the Committee on Armed Services of the House of Representatives a report describing the results of the study.

“(d) Construction of Storage Facilities.—As soon as practicable after the date of enactment of the Coal-to-Liquid Fuel Energy Act of 2007, the Secretary may construct 1 or more storage facilities—

“(1) in the vicinity of pipeline infrastructure and at least 1 military base; but

(b) Petroleum Products for Storage in Reserve.—Section 160 of the Energy Policy and Conservation Act (42 U.S.C. 6240) is amended—

(1) in subsection (a)—

(A) in paragraph (1), by inserting a semicolon at the end;

(B) in paragraph (2), by striking “and” at the end;

(C) in paragraph (3), by striking the period at the end and inserting “; and”; and

(D) by adding at the end the following:

“(4) coal-to-liquid products (as defined in section 2 of the Coal-to-Liquid Fuel Energy Act of 2007), as the Secretary determines to be appropriate, in a quantity not to exceed 20 percent of the total quantity of petroleum and petroleum products in the Reserve.”;

(2) in subsection (b), by redesignating paragraphs (3) through (5) as paragraphs (2) through (4), respectively; and

(3) by redesignating subsections (f) and (h) as subsections (d) and (e), respectively.

(c) Conforming Amendments.—Section 167 of the Energy Policy and Conservation Act (42 U.S.C. 6247) is amended—

(1) in subsection (b)—

(A) by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively; and

(B) in paragraph (2) (as redesignated by subparagraph (A)), by striking “section 160(f)” and inserting “section 160(e)”; and

(2) in subsection (d), in the matter preceding paragraph (1), by striking “section 160(f)” and inserting “section 160(e)”.

SEC. 7. AUTHORIZATION TO CONDUCT RESEARCH, DEVELOPMENT, TESTING, AND EVALUATION OF ASSURED DOMESTIC FUELS.

Of the amount authorized to be appropriated for the Air Force for research, development, testing, and evaluation, \$10,000,000 may be made available for the Air Force Research Laboratory to continue support efforts to test, qualify, and procure synthetic fuels developed from coal for aviation jet use.

SEC. 8. COAL-TO-LIQUID LONG-TERM FUEL PROCUREMENT AND DEPARTMENT OF DEFENSE DEVELOPMENT.

Section 2398a of title 10, United States Code is amended—

(1) in subsection (b)—

(A) by striking “The Secretary” and inserting the following:

“(1) IN GENERAL.—The Secretary”; and

(B) by adding at the end the following:

“(2) COAL-TO-LIQUID PRODUCTION FACILITIES.—

“(A) IN GENERAL.—The Secretary of Defense may enter into contracts or other agreements with private companies or other entities to develop and operate coal-to-liquid facilities (as defined in section 2 of the Coal-to-Liquid Fuel Energy Act of 2007) on or near military installations.

“(B) CONSIDERATIONS.—In entering into contracts and other agreements under subparagraph (A), the Secretary shall consider land availability, testing opportunities, and proximity to raw materials.”;

(2) in subsection (d)—

(A) by striking “Subject to applicable provisions of law, any” and inserting “Any”; and

(B) by striking “1 or more years” and inserting “up to 25 years”; and

(3) by adding at the end the following:

“(f) Authorization of Appropriations.—There are authorized to be appropriated such sums as are necessary to carry out this section.”.

SEC. 9. REPORT ON EMISSIONS OF FISCHER-TROPSCH PRODUCTS USED AS TRANSPORTATION FUELS.

(a) In General.—In cooperation with the Administrator of the Environmental Protection Agency, the Secretary of Defense, the Administrator of the Federal Aviation Administration, and the Secretary of Health and Human Services, the Secretary shall—

- (1) carry out a research and demonstration program to evaluate the emissions of the use of Fischer-Tropsch fuel for transportation, including diesel and jet fuel;
- (2) evaluate the effect of using Fischer-Tropsch transportation fuel on land and air engine exhaust emissions; and
- (3) in accordance with subsection (e), submit to Congress a report on the effect on air quality and public health of using Fischer-Tropsch fuel in the transportation sector.

(b) Guidance and Technical Support.—The Secretary shall issue any guidance or technical support documents necessary to facilitate the effective use of Fischer-Tropsch fuel and blends under this section.

(c) Facilities.—For the purpose of evaluating the emissions of Fischer-Tropsch transportation fuels, the Secretary shall—

- (1) support the use and capital modification of existing facilities and the construction of new facilities at the research centers designated in section 417 of the Energy Policy Act of 2005 (42 U.S.C. 15977); and
- (2) engage those research centers in the evaluation and preparation of the report required under subsection (a)(3).

(d) Requirements.—The program described in subsection (a)(1) shall consider—

- (1) the use of neat (100 percent) Fischer-Tropsch fuel and blends of Fischer-Tropsch fuels with conventional crude oil-derived fuel for heavy-duty and light-duty diesel engines and the aviation sector; and
- (2) the production costs associated with domestic production of those fuels and prices for consumers.

(e) Reports.—The Secretary shall submit to the Committee on Energy and Natural Resources of the Senate and the Committee on Energy and Commerce of the House of Representatives—

- (1) not later than 180 days after the date of enactment of this Act, an interim report on actions taken to carry out this section; and
- (2) not later than 1 year after the date of enactment of this Act, a final report on actions taken to carry out this section.

(f) Authorization of Appropriations.—There are authorized to be appropriated such sums as are necessary to carry out this section.

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