NGVAMERICA
Natural Gas Vehicles for America

2009 NGV Federal Legislative Priorities

The following are the legislative proposals that the NGV industry will be supporting in 2009. If enacted these proposals would: (1) encourage the purchase and use of Natural Gas Vehicles (NGVs), with an emphasis on large haul and fleet vehicles; (2) promote the production of NGVs by original equipment manufacturers (OEMs); (3) encourage the certified conversion of gasoline and diesel vehicles to natural gas; (4) incentivize installation of natural gas fuel pumps at service stations and domestic LNG production facilities for small energy producers; (5) encourage the installation of natural gas home refueling appliances; and (6) promote expansion of NGVs in public transportation, government fleets, and other taxpayer-funded vehicles as well as other related programs.

1. **Encourage the purchase and use of NGVs, with an emphasis on large haul and fleet vehicles.**

   a. Permanently extend the current 50 cents per gallon (or gasoline-gallon equivalent) natural gas excise tax credit (VETC) (currently scheduled to expire after 12/31/2009); and expand the provision to allow individuals with their own home refueling stations to be eligible for the excise tax credit.

   b. Permanently extend the natural gas vehicle purchase income tax credit (currently scheduled to expire after 12/31/2010); and exempt the tax credits from alternative minimum tax provisions (for both individuals and businesses), make the credits transferable, or otherwise more marketable.

   c. Increase the incremental price eligible for tax credit for dedicated NGVs to 100 percent for all weight classes of vehicle.

   d. The incremental price eligible for tax credit for fleets that purchase more than 100 NGVs in a year should be doubled.

   e. Bi-fuel natural gas vehicles (i.e., vehicles that can run on either natural gas or gasoline) shall be eligible for a tax credit of up to 50 percent of the incremental price. For the purpose of this provision, a bi-fuel natural gas vehicle would be defined as a vehicle with a maximum range of 75 miles on its full gasoline capacity.

f. Provide public agencies with the option of receiving the value of the vehicle purchase tax credit as a federal grant or other direct federal payment.

g. Provide 100% federal share for funding the incremental cost of purchasing dedicated alternative fueled buses (instead of 90%) up to a maximum of $75,000, whichever is less. There would be no local match required for the incremental cost. Also provide that the 100% federal share for funding the incremental cost of purchasing alternative fueled buses is available nationwide.

h. Direct EPA to give higher priority to the replacement or repower of diesel vehicles with natural gas vehicles under the Diesel Emissions Reduction Program and Clean School Bus Program. Modify the program to promote public-private partnerships that help finance alternative fuel buses that displace diesel-based fuels, achieve the 2010 air quality standards, or any subsequent new standard, and reduce the carbon intensity of the fuel by at least 10%.

i. Designate $100 million per year of highway funds (to be controlled by the Secretary of Transportation) to pay for natural gas school buses and infrastructure.

j. Direct EPA, DOE and DOT to review and report to the relevant committees of Congress all vehicle policies to identify any artificial barriers to the growth of the NGV market.

k. DOE shall be required to clarify through guidance or in a rulemaking that a covered fleet can receive EPAct credits for converting older vehicles and also for repowering as long as the vehicle will remain in the fleet for up to 2 years.

l. Provide federal grants (or other incentives) that encourage community colleges to promote technical training of gaseous fuel vehicle and maintenance systems designed to support a growing natural gas, biomethane, and hydrogen vehicle industry.

2. Promote the production of NGVs by original equipment manufacturers (OEMs).

a. Create a new production tax credit for NGVs manufactured in the U.S. equal to the lesser of 10 percent of the cost to produce the vehicle or $4,000. The credit would be capped at $200 million per tax year per manufacturer.

b. Authorize $10 billion to OEMs, and their suppliers, for the re-tooling of manufacturing facilities in the U.S. to produce NGVs (including costs associated with design, engineering, testing, certification, and materials and component parts).

c. Create at least six regional pilot programs that would help develop the "market pull" needed to support a sustainable sales environment compelling OEMs to manufacture NGVs. Focus areas are based on a variety of key factors including: population, air emissions, leveraging existing natural gas infrastructure, goods movement corridors, etc. Both CNG and LNG station networks would be developed in a clustered (concentrated) approach in order to support government, consumer and business vehicle travel.

d. No more than five years into each program, federal incentives should be made available to assist in the expansion of each regional program to statewide programs that produce the same level of "market pull" for OEMs and fuel providers.

3. Encourage the certified conversion of gasoline and diesel vehicles to natural gas.

a. Establish a state demonstration program to streamline the regulatory and certification processes currently required for the certified conversion of gasoline or diesel vehicles to natural gas for OEMs and small volume manufacturers, thereby lowering the current onerous costs of certifying NGVs.

b. Reduce cost of NGV conversions. Currently, EPA imposes virtually the same certification requirements on NGV aftermarket conversion systems as they require of the automakers, imposing huge unnecessary costs on small volume manufacturers.

4. Incentivize installation of natural gas fuel pumps at service stations and domestic LNG production facilities for small energy producers.

a. Permanently extend the refueling property income tax credit (currently scheduled to expire after 12/31/2010), exempt alternative fuel infrastructure from the alternative minimum tax provisions; for both individuals and businesses.

b. Authorize $5 billion of Energy Security Tax Credit Bonds to provide no- or low-interest loans to service stations (up to $200,000 per service station) to

install natural gas fuel pumps.

c. Increase the existing refueling property tax credit for the installation of natural gas fuel pumps to 30 percent up to a cap of $250,000 (from $30,000 today) and exempt the property from alternative minimum tax provisions (for both individuals and businesses).

d. Amend the definition in the Renewable Fuels Standard to allow the use of CNG and LNG fuels to meet the mandates as a vehicle fuel.

e. Provide public grants for domestic LNG production facilities for small energy companies that also build, own and operate LNG stations.

5. Encourage the installation of natural gas home refueling appliances.

a. Increase the current income tax credit for the installation of home refueling appliances from $1,000 to 100% of the cost or $4,000, whichever is less, and exempt the property from alternative minimum tax provisions (for both individuals and businesses).

6. Promote expansion of NGVs in public transportation, government fleets, and other taxpayer-funded vehicles as well as related programs.

a. 20% of all new federal government fleet vehicle purchases shall be natural gas vehicles by 2015.

b. The US Department of Energy (DOE) shall provide guidance encouraging state Public Utility Commissions (PUCs) to provide shareholder incentives to gas utilities that implement successful NGV market penetration programs that also utilize partnerships with non-utility station providers/operators. DOE to also provide guidance to PUCs to accept biomethane into their distribution systems from landfills, dairy farms, and wastewater treatment plants.

c. Reauthorize and appropriate funds for a $30 million per year Natural Gas Vehicle Research, Development, and Demonstration program at the US DOE.

d. Provide additional funding for Clean Cities initiative (part of the Office of Energy Efficiency and Renewable Energy's Vehicle Technologies Program).

e. Award grants to Light Duty (LD) OEMs for engine development for a variety of each of their engine platforms. Additionally, set up a cooperative research

program with manufacturers, universities, and others to reduce emissions and improve the performance, efficiency and lower the cost of LD natural gas engines. Expand RD&D for Heavy Duty (HD) engine development. Set up a cooperative research program with manufacturers, universities, and others to reduce emissions and improve the performance, efficiency and lower the cost of HD natural gas engines.

f. The Department of Education should review and support policies to promote use of natural gas school buses.

g. Direct the Federal Aviation Administration (FAA) to require funded airports (size/traffic TBD) to establish alternative fuel programs that require land-side and air-side vehicles to use dedicated natural gas fuels that displace gasoline and diesel, achieve prevailing criteria emission standards and provide at least a 10% reduction in carbon.

h. Establish a nationwide container fee at US seaports with the intent to fund consumer/fleet incentives for natural gas heavy-duty trucks that utilize natural gas as their primary fuel and additional incentive for early deployment of dedicated natural gas vehicles meeting the 2010 heavy-duty emission standards.

i. Provide federal incentives for federal, state and local governments to transition or convert their vehicles to natural gas. Designate $100 million per year of Highway funds (to be controlled by the Secretary of Transportation) to pay for public sector alternative fuel projects.

j. Direct the FTA to provide incentives for purchasing and using dedicated natural gas vehicles for the following programs: (1) Transportation for Elderly persons and Persons Disabilities (Sec. 5310); (2) Job Access and Reverse Commute (JARC) (Sec. 5316); and New Freedom formula grant (Sec. 5317). There would be no local match required for the incremental cost.

k. Establish "NGV Highway Corridors" paid for from the Highway Trust Fund.

l. Expand the CAFE credit that OEMs are currently getting for building NGVs—this is a market mechanism to encourage OEMs to make NGVs. Consider a sliding scale where dedicated alternative fuel vehicles would have a greater CAFE credit than a bi-fuel vehicle, with appropriate incentive for dedicated hybrids.