Landmark Vehicle and Fuel Choices Legislation:

The DRIVE Act

The bipartisan **DRIVE Act,** titled the **Vehicle and Fuel Choices for American Security Act** in the 109th Congress**,** was re-introduced in the 110th Congress by Senators Bayh (D-IN), Brownback (R-KS), Coleman (R-MN) and Lieberman (I-CT) and 21 other Senators, and companion legislation in the House re-introduced by Engel (D-NY), Kingston (R-GA) and 77 other Representatives with the aim of putting the nation on the path to independence from foreign oil. The bills blaze this trail by requiring a real plan to boost efficient use of oil in our transportation sector, offer consumers non-petroleum fuel choices, and encourage the use of fuels produced from domestic resources. The bills are based on the Set America Free Coalition's Blueprint for Energy security. Both bills include four components:

- An national oil savings target starting at 2.5 million barrels of oil per day in 2015 and increasing over time, achieved through a menu of existing and new authorities and incentives;
- Programs that increase fuel choice in the transportation sector;
- Federal manufacturer retooling incentives for production of efficient vehicles and authority to set efficiency standards for tires and heavy duty trucks; and
- A national energy security media campaign to educate the public about oil dependence.

An Oil Savings Plan

The centerpiece of the bills are a national oil savings strategy that would direct the federal government to develop and implement a plan to reduce U.S. oil dependence, starting with oil savings of 2.5 million barrels of oil per day within ten years and increasing significantly by 2025 (ramping up from a 10% to more than 20% reduction from projected oil demand). The elements of the plan are the following:

- Office of Management and Budget (OMB) designs a plan for federal agencies to use existing and new authorities granted in the bill to achieve the specific oil savings from all sectors of the economy, not just vehicles;
- Savings are measured in comparison to the government's 2005 forecast of oil use for each year;
- Federal agencies must then promulgate requirements necessary to achieve plan goals; and
- The President must conduct regular reviews and update the action plan as necessary to keep the country on course as the plan is implemented.

Focus on 21st Century Vehicles – Renew Detroit

While the plan addresses all sectors of the economy, transportation is responsible for two thirds of our oil consumption and it is currently 97% reliant on oil. The legislation creates some new authorities and research programs to help achieve the oil savings from our cars, trucks and buses, including:

- Providing a tax credit, loan guarantees, and grants to auto manufacturers and suppliers who decide to retool factories to build more efficient vehicles, including especially hybrids, plug in hybrids and advanced diesels, and associated components;
- Removing the cap on the number of consumer tax credits for advanced vehicles;
- Closing the gas guzzler tax loophole that encourages businesses to purchase very large SUVs but maintains an exemption for farm vehicles;
- Establishing a program to move fuel-efficient tires into the marketplace;
- Creating a program to test the efficiency of heavy-duty trucks and set minimum efficiency standards for new heavy duty trucks;
- Funding to help local educational agencies reduce school bus idling;
- Establishing new requirements for oil savings and advanced vehicle usage for federal fleets and new incentives for private fleets that purchase more efficient vehicles; and
- Funding for research, development and deployment to speed commercialization of both near-term vehicle technologies, such as plug-in hybrids, and advanced vehicles technologies, such as light-weight materials.

Increase Fuel Choice

In addition to using oil more efficiently, we must also give consumers more choices so that they can use alternatives to oil. The bill also provides a suite of policies which ramp up commercialization of alternative fuels and provide infrastructure for delivering such alternatives to gasoline to consumers, including:

- Increasing the number of fuel choice enabling vehicles on the road by requiring a growing number of new vehicles to be capable of operating on alcohol fuels, such as ethanol and methanol, and a range of other efficient vehicle technologies;
- Increasing the tax credit for alternative fuel pumps and infrastructure to 50 percent of qualifying costs, and increasing the number of alternative fuel pumps.
- Creating a near term targets for production of cellulosic biofuels, building on the renewable fuel standard enacted in EPAct 2005;
- Increasing the authorized spending for cellulosic biofuels production incentives to $200 million annually over five years;
- Doubling R&D authorization level for bioenergy program in EPAct 2005; and
- Providing grants to encourage transit-oriented development to help build communities that help drivers reduce vehicle-miles traveled.

Encourage Electricity for Transportation

- Provides vehicle consumer tax credits for purchases of plug-in hybrid and flexible fuel hybrid vehicles.
- Incentives for installation of heavy duty vehicle idling reduction equipment.
- Plug-In Hybrid Electric Vehicle Prize.
- An Education Program that would authorize a nationwide education strategy for electric drive transportation, and specific authorizations for a university level PHEV competition and for assistance to institutions offering electrical and mechanical engineer training.
- An Electric Drive Transportation Program containing the following elements: 1) a DOE-administered research, development, demonstration and commercial application program for electric drive technologies, including batteries, on-board and off-board charging components, drive train systems, control systems and power train development, nanomaterial technology, and smart vehicle and grid interconnection devices and software; 2) a DOE program, in consultation with EPA and industry, to inventory existing electric drive technologies and markets and barriers to technology deployment; 3) a DOE grant program to provide partial support to utilities for programs to encourage use of off-peak electricity; and 4) a testing and certification program to provide information on the emissions, energy and petroleum usage of hybrid electricvehicles, to be administered cooperatively by DOE and EPA.

Public education

Media Campaign: Both bills would create a nationwide oil security media campaign to be administered by the Secretary of Energy, educating consumers about ways to reduce wasteful oil use.

Provisions Specific to the House or Senate bills

The companion bills are similar in most respects, and there are a few provisions unique to each:

- *Oil savings trajectories*: Both bills commit to savings of 2.5 million barrels a day, the House bill by 2015 and the Senate bill by 2017. Beyond the initial target, the House requires 5 mbd savings by 2025, while the Senate bill requires 7 mbd savings by 2026 and 10 mbd savings by 2031.
- *Ethanol:* The Senate bill contains an additional target for ethanol derived from sugar, and creates program of loan guarantees and grants for farmer-owned ethanol producers to develop and build E85 distribution infrastructure including pumps;
- *Oil savings "scoring" and audit*: The House bill directs federal agencies to evaluate the oil savings impacts of federal regulatory actions. It also directs federal agencies to audit their overall oil usage, building on EPAct 1992 guidelines for reducing the federal government's petroleum fuel use.

- *Prize*: The House bill contains a detailed provision for a plug-in hybrid prize whereas the Senate bill contains a less detailed amendment to include prizes for plug-in hybrid and hydrogen as a subset of an EPACT 2005 program.
- *Fuel choice provisions unique to the House bill*: The House bill includes additional incentives and safeguards that ensure effective oil savings from the transportation sector, including:
    - Phases out a loophole in the fuel economy standards for flexible fuel vehicles as their production increases by tying the credits to actual alternative fuel use in these vehicles.
    - A Transition to Fuel and Technology Neutral Regulations, which would require EPA to: 1) report to Congress on fuel or technology-specific requirements under Federal environmental law and on how a fuel and technology neutral emissions reduction program might be established; and 2) to establish such a program, which would become effective within 10 years of the date of enactment.
    - A Plug-In Hybrid Electric Vehicle Demonstration Program, which would be administered by DOE, and would provide cost-shared grants for projects to demonstrate PHEV.
    - Establishes an "ethanol action plan" requiring a ramp-up of petroleum displacement with biofuels for ground transportation.
    - A Near-Term Electric Transportation Deployment Program, to be administered
      by EPA. The program would provide grants and loans for qualified electric transportation projects, which could include port electrification, truck stop electrification, airport electrification, industrial electric fork lift energy efficiency demonstrations, and similar projects.