DISCUSSION DRAFT

CONFIDENTIAL

109th CONGRESS
2nd Session

IN THE SENATE OF THE UNITED STATES

[DATE], 2006

Mr. _______ of [state] (for himself and _____/on behalf of _______) introduced the following bill, which was referred to the Committee on Energy and Natural Resources.

A BILL

To utilize domestic coal reserves to produce petroleum products such as jet fuel, low sulfur diesel, naphtha, propane, butane and kerosene, necessary to maintain the United States' transportation industries, augment national defense and reduce dependence on imported oil.

SECTION 1. SHORT TITLE.

This Act may be cited as the "Consumers Transportation and Energy Security Act of 2006."

SEC. 2. STRATEGIC VISION FOR ENERGY SECURITY FOR CONSUMERS.

(a) Findings – Congress makes the following findings:

(1) In 2005, the United States imported approximately 3.67 billion barrels of oil per year to satisfy approximately half the Country's requirements. The goal of "Energy Independence" is no less critical than when first expressed, but has become elusive to achieve. The Act seeks to provide energy security to consumers, fuel for the transportation industries and to provide for national defense;

(2) The United States should reduce its dependence on foreign oil and reduce the threat of supply disruptions. Using domestic resources, such as our abundant coal reserves, to make petroleum products is in the interests of all Americans. This Act will result in security of supply, a protected source of truck and aviation fuel for both military and civilian purposes, a favorable change in the balance of payments, and significant employment, environmental and consumer benefits;

(3) The foregoing can be accomplished by incentivizing the construction of coal to liquids plants, using proven technologies, such as coal gasification and

Fischer Tropsch, to convert America's plentiful, untapped coal supply into refined petroleum. Each plant would be capable of producing 20 million barrels per year and could provide in the aggregate, production equal to 40 percent of America's 2005 oil imports; and

(4) Under the Act, the private sector will have an incentive to invest a total of $210 billion, to construct up to 70 coal to liquids plants. When all plants are in production, the price of oil and fuels will decline, producing $400 billion in energy savings and an additional $600 billion in intangible benefits. Through carbon capture and sequestration at each new plant, the Act will play a key role in reducing greenhouse gas emissions and will add billions of barrels of oil to domestic recoverable reserves.

(b) Purposes – The purposes of the Consumers Transportation and Energy Security Act of 2006 are:

(1) to increase the energy security of the United States;
(2) to reduce the importation of petroleum;
(3) to reduce the price of petroleum products to American consumers;
(4) to diversify our sources of petroleum products and fuel;
(5) to expand refinery capacity;
(6) to produce a favorable change in the balance of payments;
(7) to further develop the United States' coal reserves;
(8) to reduce greenhouse gas emissions via carbon capture and sequestration and add recoverable reserves of oil;
(9) to encourage the use of Integrated Gasification Combined Cycle (IGCC) systems in power plants; and
(10) to promote, via a strategic partnership with the United States Government under this Act, the development and construction of a minimum of 10 and a maximum of 70 coal to liquids plants that utilize coal to produce a range of petroleum products required by consumers, industry and the national defense.

(c) Sense of Congress – It is the sense of Congress that –

(1) United States' national security requires that petroleum products, which are indispensable to the Country's transportation, industrial and military sectors be produced domestically;
(2) United States has significant untapped reserves of coal, which are stranded from commercial development because of lack of rail transportation and power markets, and, as a result, can be used to produce petroleum products; and
(3) The funding of coal to liquids plants is such a massive financial undertaking that the United States Government should provide financial support for the capital invested in developing the coal to liquids plants, but only if the price of a barrel of oil falls below $38, as adjusted annually by the Consumer Price Index (CPI), during any month(s) during the first ten years of any plant's operation.

SEC. 3. TRANSPORTATION AND SECURITY BOARD.

(a) The President shall:

(1) Establish the American Energy Security Board with the purpose of advancing the objectives of this Act. Members of this Board shall be the Secretaries of Defense, Interior, Treasury, Transportation and Energy. Said Board shall:

(a) develop and publish criteria and have the authority to approve price supports for the capital costs associated with the construction of a minimum of ten (10) coal to liquids plants; (b) advise appropriate Governmental officials on the national security implementations arising from the developmental of coal to liquids plants; and (c) coordinate its activities with relevant Federal and consumer organizations; and
(d) have the responsibility of determining an applicant's qualifications. Those qualifications shall include:

(1) Developers' creditworthiness and scope of investment;
(2) The technology to be used;
(3) Adequacy of dedicated coal reserves;
(4) The plant's production mix and market value of each fuel produced;
(5) The plants' design and construction, and off-take contracts;
(6) A commitment subject to the reasonable availability of facilities, to sequestering of carbon dioxide and other gases that have the potential to increase oil and natural gas production;
(7) Availability of pipelines or trucking to deliver plant's production;
(8) Plants' O&M costs; and
(9) A portion of a plant's production commitment, which shall not exceed 25% of its annual production, be available to meet military or national security needs.

SEC. 4. PROCUREMENT OF COAL TO LIQUID FUEL BY THE DEPARTMENT OF DEFENSE.

The Secretary of Defense may enter into contracts, for procurement, or other agreements, with private companies or other entities in connection with coal-to-liquids facilities. Procurement contracts, sole source or otherwise, may be for different terms but may not exceed twenty (20) years.

SEC. 5. STRATEGIC PARTNERSHIPS.

Congress makes the following finding:

(1) The American Energy Security Board shall enter into strategic partnerships with qualified developers of coal to liquids plants to facilitate the financing of ten said plants and no more than 70 said plants. The strategic partnerships shall be for the sole purpose of the United States Government providing one-twelfth (1/12) of the capital investment for each and every month that the price of a barrel of petroleum falls below $38, as adjusted annually by the CPI, per barrel of oil;

(2) Based on a ten year amortization of the initial capital investment of $4 billion per plant, the maximum obligation of the United States if the foregoing event described in Sec. 4.(a)(1) occurs is limited, on a per plant basis, to one-twelfth (1/12) or approximately $33 million per month; and

(3) If during the aforesaid ten year amortization period, the price per barrel of oil exceeds $75, as adjusted annually by the CPI, for any month, an owner of a coal to liquids plant shall pay to the United States Treasury the amount in excess of $75 per barrel, as adjusted annually by the CPI, multiplied by (A) the number of barrels sold by the owner at prices in excess of $75; and (B) 25 percent.

SEC. 6. AUTHORIZATIONS AND APPROPRIATIONS.

There is authorized to be appropriated to provide financial support under this Act,

Subject to such terms and conditions as the Board deems necessary, it shall issue Federal credit instruments to coal and liquids plants that do not, in the aggregate, exceed $20 billion/year and provide the amounts necessary for such instruments in accordance with the provisions of the Federal Credit Reform Act of 1990 (2 U.S.C. 661 *et seq.*)

SEC. 7. REPORTS.

(a) Reports required –

(1) Not later than one (1) year from implementation of this Act, the Secretary of the Board shall submit a report to the Committee on Energy and Natural Resources describing the development of coal to liquids plants, the strategic partnerships and the status of price supports.