

What's New: Spring 2005 Update

Tax Changes Give Alternative Fuels a Boost

The U.S. Congress last fall enacted tax changes that could significantly reduce the price fleets pay for biofuels. The changes, which fall under the Working Families Tax Relief Act of 2004 and the Jobs Creation Act of 2004, offer and extend incentives to blenders of biodiesel and ethanol. As a result, fleets should enjoy lower prices on both fuels.

The new biodiesel incentive provides blending companies with credits worth up to \$1 per gallon of biodiesel mixed with diesel fuel. The incentive could reduce the cost of using B20 (20% biodiesel, 80% petroleum diesel) by as much as \$0.20 per gallon. Companies can take advantage of this incentive through December 31, 2006. Industry groups are working with Congress to try to extend the timeframe.

The code extends an already-in-place tax credit for ethanol blenders. It also makes it easier for E85 (85% ethanol, 15% gasoline) producers to benefit from the tax break. Under the extension, qualifying companies can receive \$0.51 per gallon of ethanol they blend with gasoline.

Separately, Congress also restored 100% of the value of the electric vehicle credit and clean fuel vehicle deduction for 2004 and 2005. The incentives will be reduced by 75% in 2006, then expire.

For more information, visit the Internal Revenue Service website (www.irs.gov/irb/2005-02_IRB/ar14.html). The National Biodiesel Board (www.nbb.org) and National Ethanol Vehicle Coalition (www.e85fuel.com) also offer information about their respective fuels on their websites.

Council Surveys Market Demand for NGVs

Despite discontinued production of some natural gas vehicles (NGVs) by original equipment manufacturers, many covered fleets still want to use NGVs to comply with EPAct. In fact, nearly 20% of the vehicles acquired by state and alternative fuel provider fleets in model year (MY) 2004 were NGVs.

The Utility & Public Fleet Council is striving to give manufacturers better demand estimates so they can make informed business decisions about NGV production. It

Fleet Activity

Five State Fleets Reveal Secrets of Success

Did you know that the State of Missouri developed a fund that uses money earned from selling EPAct credits to pay the incremental costs of biodiesel? Have you heard that flexible fuel vehicles (FFVs) in a North Carolina state fleet come with green keys that restrict the vehicles to be fueled with only E85? These are just two examples of creative approaches fleets take to develop successful alternative fuel vehicle (AFV) programs.

The efforts of state fleets in Missouri, North Carolina, Minnesota, New York, and Washington, D.C., are featured in five success stories recently published by the State & Alternative Fuel Provider team. The fleets, which go above and beyond their EPAct requirements, offer lessons learned, innovative ways to promote alternative fuel use, and more.

Check out the new success stories on the EPAct website.

- ▶ *Missouri Department of Transportation Turns EPAct Credits into Biodiesel:* Read about the state's commitment to using biodiesel in medium- and heavy-duty vehicles. (www.eere.energy.gov/vehiclesandfuels/epact/pdfs/37134.pdf)
- ▶ *Biofuels Boost AFV Credits and Awareness in North Carolina:* Find out how this "corn-deficit state" grew a successful E85 program. (www.eere.energy.gov/vehiclesandfuels/epact/pdfs/37133.pdf)
- ▶ *EPAct Launches Fleets Toward Minnesota's Alternative Fuel Future:* See how two Minnesota fleets strive to use ethanol in their FFVs at all times. (www.eere.energy.gov/vehiclesandfuels/epact/pdfs/37132.pdf)
- ▶ *New York State Finds Avenues to Alternative Fuel Success:* Track the progress of the State of New York's compressed natural gas vehicle fleet since 2002. (www.eere.energy.gov/vehiclesandfuels/epact/pdfs/37144.pdf)
- ▶ *Bold Policies Make Washington, D.C., an Alternative Fuel Leader:* Look how the D.C. fleet manages to comply with EPAct and a city policy that requires AFVs to run only on alternative fuels. (www.eere.energy.gov/vehiclesandfuels/epact/pdfs/37407.pdf)



developed a series of surveys to collect information on the number and types of NGVs fleets want to purchase in the next couple of years—including medium- and heavy-duty vehicles. The council will present the results to automakers, equipment suppliers, and aftermarket system providers to stimulate them to manufacture NGVs and related equipment on a wider basis.

The simple, one-page surveys are available on the council's website (www.cleanvehicle.org/committee/upfc/surveys-tab.shtml). Fleets are encouraged to complete and return the questionnaires.

Established by the Clean Vehicle Education Foundation, the Utility & Public Fleet Council is open to all fleets at no cost. The goal of the group is to accelerate the development and commercialization of NGV platforms not currently offered in the market. For more information, visit www.cleanvehicle.org/committee/index4.shtml, or contact Doug Horne at dbhorne@cleanvehicle.org.

E85 Fleet Toolkit Available Online

Need to convert a conventional pump to dispense E85? Want to install E85 infrastructure onsite? The E85 Fleet Toolkit will walk you through the process. This interactive website covers everything from equipment and procedures to fuel specifications and suppliers.

Developed by the National Renewable Energy Laboratory (NREL) for the U.S. Department of Energy (DOE), the comprehensive toolkit was constructed to encourage regulated and voluntary fleets to build E85 infrastructure to support their

What Is EPAAct?

The Energy Policy Act of 1992 (EPAAct) was passed by Congress to reduce the nation's dependence on imported petroleum. Provisions of EPAAct require certain fleets to purchase AFVs. DOE administers these requirements through its State & Fuel Provider Rule, Federal Fleet Rule, and Alternative Fuel Designation Authority.

For more information, visit www.eere.energy.gov/vehiclesandfuels/epact, or call the Regulatory Information Line at 202-586-9171.

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FFVs. The project was inspired by the results of a DOE survey of fleet managers that revealed a need for a "one-stop shop" for E85 infrastructure information.

The E85 Fleet Toolkit is available on the Alternative Fuels Data Center website at www.eere.energy.gov/afdc/e85toolkit.

Facts and Figures

MY 2004 Reporting Highlights

Covered fleets in MY 2004 proved once again that they take EPAAct compliance seriously. Through the acquisition of AFVs and the use of biodiesel and banked or purchased credits, fleets achieved a compliance rate of nearly 100%.

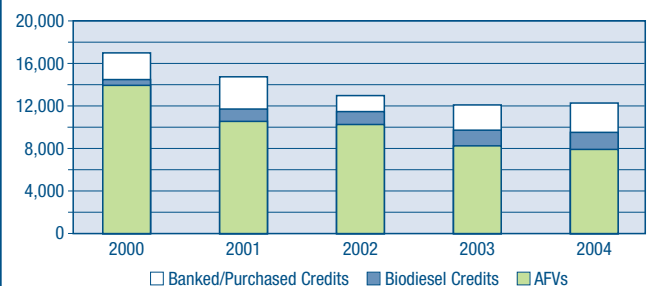
Here's how they met the requirements:

- ▶ Acquired 7,809 AFVs
- ▶ Purchased 2.4 million gallons of biodiesel (received credit for 752,000 gallons)
- ▶ Used 2,813 banked or purchased credits

Figure 1 shows the compliance methods fleets have used to meet requirements since MY 2000. Interestingly, AFV acquisitions continue to decline—although slightly—while the use of biodiesel and banked and purchased credits keeps growing.

This could be a result of reduced AFV offerings and fewer exemptions allowed from EPAAct requirements.

Figure 1. How Fleets Have Complied with EPAAct



Prepared by the National Renewable Energy Laboratory (NREL)
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