

NGVC SUPPORTS PROPOSED TAX INCENTIVES FOR ALTERNATIVE FUELS

Current Law

There are no existing tax credits for purchase of vehicles that operate on alternative fuels (CNG, LNG, Propane, Methanol, and Hydrogen). A 10 percent tax credit is provided for the cost of electric vehicles, up to a maximum credit of \$4,000. Minimal deductions for the purchase of alternative fuel vehicles, provided under the Energy Policy Act, have seldom been utilized and begin to phase down in 2002.

Purpose

The provisions of this proposal are designed to encourage the purchase and use of alternative fuel vehicles that are powered by environmentally-friendly “fuels” like compressed natural gas, liquefied natural gas, propane, electricity, methanol and hydrogen. Immediate air quality, national energy security, and climate change benefits can be realized, if we are able to transform a portion of the vehicles on our Nation’s highways to clean, domestically-produced alternative fuels.

Nearly 100 major metropolitan areas in the United States fail to meet air quality standards established to protect human health and safety. The transportation sector is a contributor to urban air pollution.

The U.S. imports more than one-half of the total petroleum consumed in this country and that percentage is projected to increase. Dependency upon foreign oil, much of it from volatile, unstable regions of the world, is dangerous for our national security and our economy.

After years of research and development alternative fuel vehicles are now commercially available. Each of the major automobile manufacturers offers these vehicles but low production volume and high initial costs are preventing widespread adoption and use.

Proposal

It would establish purchase credits for alternative fuel, hybrid and fuel cell vehicles. Additional credits are available which are proportional to the cleanliness or fuel efficiency of the vehicle. The proposal would extend the present credit for electric vehicles and provide a new six-year tax credit of 50 cents per gasoline gallon equivalent for alternative fuels sold nationwide. Eligibility would be restricted to extremely clean dedicated vehicles.

Environmental / Energy Security Benefits

Natural Gas Vehicles (NGVs) achieve the following pollutant advantages:

- 1) NO_x 66%
- 2) CO 50%
- 3) NMHC 88%
- 4) CO₂ 20%
- 5) Fine particle and toxic air emissions are virtually eliminated

Enactment of such a measure will result in significant air quality and national energy security benefits.

Analysis done by DOE and the private sector show that in those areas not-attaining Clean Air Act standards alone, the air quality benefits will be equal to removing 1.5 million gasoline powered light duty vehicles from the road. These same analyses estimate that the increased use of alternative fuels will result in the displacement of 3 billion gallons of gasoline and diesel fuel.