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(Original Signature of Member)

110TH CONGRESS  
1ST SESSION

# H. R.

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To provide for a standby loan program for certain coal-to-liquid projects.

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## IN THE HOUSE OF REPRESENTATIVES

Mr. BOUCHER (for himself, Mr. SHIMKUS, Mr. MATHESON, Mr. HASTERT, Mr. DOYLE, Mr. PICKERING, Mr. HILL, Mr. UPTON, Mr. ROSS, and Mr. WHITFIELD) introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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# A BILL

To provide for a standby loan program for certain coal-to-liquid projects.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Coal Liquid Fuel Act”.

1 **SEC. 2. STANDBY LOANS FOR QUALIFYING COAL-TO-LIQ-**  
2 **UIDS PROJECTS.**

3 Section 1702 of the Energy Policy Act of 2005 (42  
4 U.S.C. 16512) is amended by adding at the end the fol-  
5 lowing new subsection:

6 “(k) STANDBY LOANS FOR QUALIFYING CTL  
7 PROJECTS.—

8 “(1) DEFINITIONS.—For purposes of this sub-  
9 section:

10 “(A) CAP PRICE.—The term ‘cap price’  
11 means a market price specified in the standby  
12 loan agreement above which the project is re-  
13 quired to make payments to the United States.

14 “(B) FULL TERM.—The term ‘full term’  
15 means the full term of a standby loan agree-  
16 ment, as specified in the agreement, which shall  
17 not exceed the lesser of 30 years or 90 percent  
18 of the projected useful life of the project (as de-  
19 termined by the Secretary).

20 “(C) MARKET PRICE.—The term ‘market  
21 price’ means the average quarterly price of a  
22 petroleum price index specified in the standby  
23 loan agreement.

24 “(D) MINIMUM PRICE.—The term ‘min-  
25 imum price’ means a market price specified in  
26 the standby loan agreement below which the

1 United States is obligated to make disburse-  
2 ments to the project.

3 “(E) OUTPUT.—The term ‘output’ means  
4 some or all of the liquid or gaseous transpor-  
5 tation fuels produced from the project, as speci-  
6 fied in the loan agreement.

7 “(F) PRIMARY TERM.—The term ‘primary  
8 term’ means the initial term of a standby loan  
9 agreement, as specified in the agreement, which  
10 shall not exceed the lesser of 20 years or 75  
11 percent of the projected useful life of the  
12 project (as determined by the Secretary).

13 “(G) QUALIFYING CTL PROJECT.—The  
14 term ‘qualifying CTL project’ means—

15 “(i) a commercial-scale project that  
16 converts coal to one or more liquid or gas-  
17 eous transportation fuels; or

18 “(ii) not more than one project at a  
19 facility that converts petroleum refinery  
20 waste products, including petroleum coke,  
21 into one or more liquids or gaseous trans-  
22 portation fuels,

23 that demonstrates the capture, and sequestra-  
24 tion or disposal or use of, the carbon dioxide  
25 produced in the conversion process, and that,

1 on the basis of a carbon dioxide sequestration  
2 plan prepared by the applicant, is certified by  
3 the Administrator of the Environmental Protec-  
4 tion Agency, in consultation with the Secretary,  
5 as producing fuel with life cycle carbon dioxide  
6 emissions at or below the average life cycle car-  
7 bon dioxide emissions for the same type of fuel  
8 produced at traditional petroleum based facili-  
9 ties with similar annual capacities.

10 “(H) STANDBY LOAN AGREEMENT.—The  
11 term ‘standby loan agreement’ means a loan  
12 agreement entered into under paragraph (2).

13 “(2) STANDBY LOANS.—

14 “(A) LOAN AUTHORITY.—The Secretary  
15 may enter into standby loan agreements with  
16 not more than six qualifying CTL projects, at  
17 least one of which shall be a project jointly or  
18 in part owned by two or more small coal pro-  
19 ducers. Such an agreement—

20 “(i) shall provide that the Secretary  
21 will make a direct loan (within the mean-  
22 ing of section 502(1) of the Federal Credit  
23 Reform Act of 1990) to the qualifying  
24 CTL project; and

1                   “(ii) shall set a cap price and a min-  
2                   imum price for the primary term of the  
3                   agreement.

4                   “(B) LOAN DISBURSEMENTS.—Such a loan  
5                   shall be disbursed during the primary term of  
6                   such agreement whenever the market price falls  
7                   below the minimum price. The amount of such  
8                   disbursements in any calendar quarter shall be  
9                   equal to the excess of the minimum price over  
10                  the market price, times the output of the  
11                  project (but not more than a total level of dis-  
12                  bursements specified in the agreement).

13                  “(C) LOAN REPAYMENTS.—The Secretary  
14                  shall establish terms and conditions, including  
15                  interest rates and amortization schedules, for  
16                  the repayment of such loan within the full term  
17                  of the agreement, subject to the following limi-  
18                  tations:

19                         “(i) If in any calendar quarter during  
20                         the primary term of the agreement the  
21                         market price is less than the cap price, the  
22                         project may elect to defer some or all of its  
23                         repayment obligations due in that quarter.  
24                         Any unpaid obligations will continue to ac-  
25                         cruer interest.

1           “(ii) If in any calendar quarter during  
2           the primary term of the agreement the  
3           market price is greater than the cap price,  
4           the project shall meet its scheduled repay-  
5           ment obligation plus deferred repayment  
6           obligations, but shall not be required to  
7           pay in that quarter an amount that is  
8           more than the excess of the market price  
9           over the cap price, times the output of the  
10          project.

11          “(iii) At the end of the primary term  
12          of the agreement, the cumulative amount  
13          of any deferred repayment obligations, to-  
14          gether with accrued interest, shall be am-  
15          ortized (with interest) over the remainder  
16          of the full term of the agreement.

17          “(3) PROFIT-SHARING.—The Secretary is au-  
18          thorized to enter into a profit-sharing agreement  
19          with the project at the time the standby loan agree-  
20          ment is executed. Under such an agreement, if the  
21          market price exceeds the cap price in a calendar  
22          quarter, a profit-sharing payment shall be made for  
23          that quarter, in an amount equal to—

1           “(A) the excess of the market price over  
2           the cap price, times the output of the project;  
3           less

4           “(B) any loan repayments made for the  
5           calendar quarter.

6           “(4) COMPLIANCE WITH FEDERAL CREDIT RE-  
7           FORM ACT.—

8           “(A) UPFRONT PAYMENT OF COST OF  
9           LOAN.—No standby loan agreement may be en-  
10          tered into under this subsection unless the  
11          project makes an payment to the United States  
12          that the Office of Management and Budget de-  
13          termines is equal to the cost of such loan (de-  
14          termined under 502(5)(B) of the Federal Credit  
15          Reform Act of 1990). Such payment shall be  
16          made at the time the standby loan agreement is  
17          executed.

18          “(B) MINIMIZATION OF RISK TO THE GOV-  
19          ERNMENT.—In making the determination of the  
20          cost of the loan for purposes of setting the pay-  
21          ment for a standby loan under subparagraph  
22          (A), the Secretary and the Office of Manage-  
23          ment and Budget shall take into consideration  
24          the extent to which the minimum price and the  
25          cap price reflect historical patterns of volatility

1 in actual oil prices relative to projections of fu-  
2 ture oil prices, based upon publicly available  
3 data from the Energy Information Administra-  
4 tion, and employing statistical methods and  
5 analyses that are appropriate for the analysis of  
6 volatility in energy prices.

7 “(C) TREATMENT OF PAYMENTS.—The  
8 value to the United States of a payment under  
9 subparagraph (A) and any profit-sharing pay-  
10 ments under paragraph (3) shall be taken into  
11 account for purposes of section 502(5)(B)(iii) of  
12 the Federal Credit Reform Act of 1990 in de-  
13 termining the cost to the Federal Government  
14 of a standby loan made under this subsection.  
15 If a standby loan has no cost to the Federal  
16 Government, the requirements of section 504(b)  
17 of such Act shall be deemed to be satisfied.

18 “(5) OTHER PROVISIONS.—

19 “(A) NO DOUBLE BENEFIT.—A project re-  
20 ceiving a loan under this subsection may not,  
21 during the primary term of the loan agreement,  
22 receive a Federal loan guarantee under sub-  
23 section (a) of this section, or under other laws.

24 “(B) SUBROGATION, ETC.—Subsections  
25 (g)(2) (relating to subrogation), (h) (relating to

1 fees), and (j) (relating to full faith and credit)  
2 shall apply to standby loans under this sub-  
3 section to the same extent they apply to loan  
4 guarantees.”.