

110TH CONGRESS  
1ST SESSION

**S.** \_\_\_\_\_

To reduce greenhouse gas emissions from the production and use of energy,  
and for other purposes.

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IN THE SENATE OF THE UNITED STATES

Mr. BINGAMAN (for himself, Mr. SPECTER, Mr. HARKIN, Mr. STEVENS, Ms. MURKOWSKI, and Mr. AKAKA) introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

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**A BILL**

To reduce greenhouse gas emissions from the production  
and use of energy, and for other purposes.

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; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the  
5 “Low Carbon Economy Act of 2007”.

6 (b) **TABLE OF CONTENTS.**—The table of contents is  
7 as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Findings.
- Sec. 3. Definitions.

TITLE I—STRATEGIC REDUCTION TARGETS, COMPLIANCE, AND  
TRADING

- Sec. 101. Quantity of annual allowances.
- Sec. 102. Submission of allowances, credits, and payments.
- Sec. 103. Trading system for allowances and credits.

#### TITLE II—ALLOCATION AND AUCTION OF ALLOWANCES

- Sec. 201. General allocation and auction rules.
- Sec. 202. Allocation to industry sectors other than carbon-intensive manufacturing.
- Sec. 203. Allocation to carbon-intensive manufacturing.
- Sec. 204. Allocation to States.
- Sec. 205. Allocation for agricultural projects.
- Sec. 206. Allocation for early reductions.
- Sec. 207. Allocation of carbon capture and sequestration bonus allowances.
- Sec. 208. Auction of allowances for technology, adaptation, and assistance programs.

#### TITLE III—PROVISION OF CREDITS

- Sec. 301. Credits for activities that take greenhouse gas precursors out of commerce in the United States.
- Sec. 302. Credits for carbon dioxide sequestration.
- Sec. 303. Credits for projects that offset other greenhouse gas emissions.

#### TITLE IV—TECHNOLOGY, ADAPTATION, AND ASSISTANCE PROGRAMS

- Sec. 401. Early technology deployment programs.
- Sec. 402. Adaptation programs.
- Sec. 403. Assistance programs.

#### TITLE V—PERIODIC REVIEW AND INTERNATIONAL LEADERSHIP

- Sec. 501. Executive branch and congressional review of program.
- Sec. 502. International reserve allowance requirement.

#### TITLE VI—GENERAL PROVISIONS

- Sec. 601. Monitoring and reporting.
- Sec. 602. Enforcement.
- Sec. 603. Administrative provisions.
- Sec. 604. Judicial review.
- Sec. 605. Savings provision.

### 1 **SEC. 2. FINDINGS.**

2 Congress finds that—

- 3 (1) under the United Nations Framework Con-
- 4 vention on Climate Change, done at New York on
- 5 May 9, 1992, the United States is committed to sta-
- 6 bilizing greenhouse gas concentrations in the atmos-

1        phere at a level that would prevent dangerous an-  
2        thropogenic interference with the climate system;

3                (2) according to the Fourth Assessment of the  
4        Intergovernmental Panel on Climate Change, pro-  
5        tecting the climate system could require reductions  
6        of global greenhouse gas emissions equivalent to 50  
7        to 85 percent below 2000 levels by 2050;

8                (3) meeting the commitment to stabilize green-  
9        house gas emissions at appropriate levels will require  
10       a long-term global effort; and

11               (4) it is possible and desirable to implement, in  
12       the United States, an economy-wide annual limit on  
13       greenhouse gas emissions for calendar year 2012  
14       and each subsequent calendar year, with the limit  
15       declining to 2006 levels by 2020, 1990 levels by  
16       2030, and at least 60 percent below 2006 levels by  
17       2050 (contingent on sufficient international effort),  
18       if the system includes—

19                       (A) cost mitigation measures, including a  
20                       technology accelerator payment mechanism,  
21                       banking, and offsets;

22                       (B) requirements for periodic Presidential  
23                       reports and recommendations and expedited  
24                       congressional procedures to adjust the strin-  
25                       gency of the regulatory program on consider-

1           ation of new scientific information and the ef-  
2           forts of other countries to reduce their emis-  
3           sions;

4           (C) an aggressive advanced energy tech-  
5           nology deployment program to lower costs of  
6           compliance and to improve use of fuels;

7           (D) a program to fund activities to address  
8           adaptation to a warming climate; and

9           (E) a program to provide assistance to  
10          low-income persons who may be hardest hit by  
11          the costs of climate change and mitigation  
12          measures.

13 **SEC. 3. DEFINITIONS.**

14         In this Act:

15           (1) ALLOCATION PERIOD.—

16           (A) ALLOCATION PERIOD.—The term “al-  
17           location period” means the initial allocation pe-  
18           riod or a subsequent allocation period, as ap-  
19           propriate.

20           (B) INITIAL ALLOCATION PERIOD.—The  
21           term “initial allocation period” means the pe-  
22           riod beginning January 1, 2012, and ending  
23           December 31, 2021.

1 (C) SUBSEQUENT ALLOCATION PERIOD.—

2 The term “subsequent allocation period”  
3 means—

4 (i) the 5-year period beginning Janu-  
5 ary 1, 2022, and ending December 31,  
6 2026; and

7 (ii) each subsequent 5-year period.

8 (2) CARBON DIOXIDE EQUIVALENT.—The term  
9 “carbon dioxide equivalent” means—

10 (A) for each covered fuel, the quantity of  
11 carbon dioxide that would be emitted into the  
12 atmosphere as a result of complete combustion  
13 of a unit of the covered fuel, to be determined  
14 for the type of covered fuel by the President;  
15 and

16 (B) for each greenhouse gas (other than  
17 carbon dioxide), the quantity of carbon dioxide  
18 that would have an effect on global warming  
19 equal to the effect of a unit of the greenhouse  
20 gas, as determined by the President, taking into  
21 consideration global warming potentials.

22 (3) CLIMATE ADAPTATION FUND.—The term  
23 “Climate Adaptation Fund” means the Climate Ad-  
24 aptation Fund established under section  
25 208(f)(1)(B).

1           (4) COAL.—The term “coal” means any of the  
2           recognized classifications and ranks of coal, includ-  
3           ing anthracite, bituminous, semibituminous, subbitu-  
4           minous, lignite, peat, and fuel derivatives of coal.

5           (5) COVERED FUEL.—The term “covered fuel”  
6           means—

7                   (A) coal;

8                   (B) petroleum products;

9                   (C) natural gas, including liquefied natural  
10           gas;

11                   (D) natural gas liquids; and

12                   (E) any other fuel derived from fossil hy-  
13           drocarbons (including bitumen, kerogen, and  
14           coalbed methane).

15           (6) COVERED GREENHOUSE GAS EMISSIONS.—

16                   (A) IN GENERAL.—The term “covered  
17           greenhouse gas emissions” means—

18                           (i) for a regulated coal facility in the  
19           United States, the emissions associated  
20           with coal consumed or converted to syn-  
21           thetic fuels by the facility;

22                           (ii) for a petroleum refinery located in  
23           the United States, the emissions associated  
24           with petroleum products, that are refined,  
25           produced, or consumed at the refinery;

1 (iii) for a natural gas processing plant  
2 in the United States, a quantity of emis-  
3 sions equal to the sum of—

4 (I) the emissions associated with  
5 natural gas liquids produced or con-  
6 sumed at the plant; and

7 (II) the emissions associated with  
8 natural gas delivered into commerce  
9 from, or consumed at, the plant;

10 (iv) for an importer of petroleum  
11 products, coke, or natural gas (including  
12 liquefied natural gas) into the United  
13 States, the emissions associated with the  
14 petroleum products, coke, or natural gas  
15 imported;

16 (v) for a manufacturer or importer of  
17 hydrofluorocarbons, perfluorocarbons, sul-  
18 fur hexafluoride, or nitrous oxide or an im-  
19 porter of a product containing  
20 hydrofluorocarbons, perfluorocarbons, sul-  
21 fur hexafluoride, or nitrous oxide, the  
22 quantity of hydrofluorocarbons,  
23 perfluorocarbons, sulfur hexafluoride, or  
24 nitrous oxide produced in the United  
25 States or imported by, or contained in

1 products imported by, the manufacturer or  
2 importer;

3 (vi) for a facility in the United States  
4 that manufactures adipic acid or nitric  
5 acid, the quantity of nitrous oxide emitted  
6 by the facility;

7 (vii) for an aluminum smelter in the  
8 United States, the quantity of  
9 perfluorocarbons emitted by the smelter;

10 (viii) for a facility in the United  
11 States that produces  
12 hydrochlorofluorocarbon-22, the quantity  
13 of hydrofluorocarbon-23 emitted by the fa-  
14 cility; and

15 (ix) such other emissions of green-  
16 house gases from facilities in the United  
17 States that the President, by rule under  
18 section 102(g), determines is necessary to  
19 ensure that allowances are submitted for  
20 each covered fuel.

21 (B) UNITS.—Quantities of covered green-  
22 house gas emissions shall be measured and ex-  
23 pressed in units of metric tons of carbon diox-  
24 ide equivalent.



1           (7) ELIGIBLE COAL MINE.—The term “eligible  
2 coal mine” means a coal mine located in the United  
3 States.

4           (8) ELIGIBLE ELECTRIC GENERATION FACIL-  
5 ITY.—

6           (A) IN GENERAL.—The term “eligible elec-  
7 tric generation facility” means a fossil-fuel-fired  
8 facility for the generation of electric energy lo-  
9 cated in the United States.

10           (B) EXCLUSION.—The term “eligible elec-  
11 tric generation facility” does not include any fa-  
12 cility described in subparagraph (A) that—

13                   (i) began operations after December  
14 31, 2006; and

15                   (ii) does not satisfy the criteria estab-  
16 lished in section 202(c).

17           (9) ELIGIBLE FACILITY.—The term “eligible fa-  
18 cility” means—

19           (A) an eligible coal mine;

20           (B) an eligible electric generation facility;

21           (C) an eligible natural gas processing  
22 plant;

23           (D) an eligible nonfuel regulated facility;

24           or

25           (E) an eligible refinery.

1           (10) ELIGIBLE NATURAL GAS PROCESSING  
2 PLANT.—The term “eligible natural gas processing  
3 plant” means a natural gas processing plant located  
4 in the United States.

5           (11) ELIGIBLE NONFUEL REGULATED FACIL-  
6 ITY.—The term “eligible nonfuel regulated facility”  
7 means a nonfuel regulated facility located in the  
8 United States.

9           (12) ELIGIBLE REFINERY.—The term “eligible  
10 refinery” means a petroleum refinery located in the  
11 United States.

12           (13) ENERGY ASSISTANCE FUND.—The term  
13 “Energy Assistance Fund” means the Energy As-  
14 sistance Fund established under section  
15 208(f)(1)(C).

16           (14) ENERGY TECHNOLOGY DEPLOYMENT  
17 FUND.—The term “Energy Technology Deployment  
18 Fund” means the Energy Technology Deployment  
19 Fund established under section 208(f)(1)(A).

20           (15) GREENHOUSE GAS.—The term “green-  
21 house gas” means—

22                   (A) carbon dioxide;

23                   (B) methane;

24                   (C) nitrous oxide;

25                   (D) hydrofluorocarbons;

1 (E) perfluorocarbons; and

2 (F) sulfur hexafluoride.

3 (16) NATURAL GAS PROCESSING PLANT.—The  
4 term “natural gas processing plant” means a facility  
5 in the United States designed to separate natural  
6 gas liquids from natural gas.

7 (17) NATURAL GAS PROCESSOR.—The term  
8 “natural gas processor” means the owner or oper-  
9 ator of a natural gas processing plant.

10 (18) NONFUEL REGULATED ENTITY.—The  
11 term “nonfuel regulated entity” means—

12 (A) the owner or operator of a nonfuel reg-  
13 ulated facility; and

14 (B) an importer of—

15 (i) hydrofluorocarbons,  
16 perfluorocarbons, sulfur hexafluoride, or  
17 nitrous oxide; or

18 (ii) a product containing  
19 hydrofluorocarbons, perfluorocarbons, sul-  
20 fur hexafluoride, or nitrous oxide.

21 (19) NONFUEL REGULATED FACILITY.—The  
22 term “nonfuel regulated facility” means a facility  
23 that—

1 (A) manufactures hydrofluorocarbons,  
2 perfluorocarbons, sulfur hexafluoride, or nitrous  
3 oxide;

4 (B) emits nitrous oxide associated with the  
5 manufacture of adipic acid or nitric acid;

6 (C) is an aluminum smelter; or

7 (D) emits hydrofluorocarbon-23 as a by-  
8 product of hydrochlorofluorocarbon-22 produc-  
9 tion.

10 (20) OFFSET PROJECT.—The term “offset  
11 project” means any project to—

12 (A) reduce greenhouse gas emissions; or

13 (B) sequester or destroy a greenhouse gas.

14 (21) PETROLEUM PRODUCT.—The term “petro-  
15 leum product” means—

16 (A) a refined petroleum product;

17 (B) residual fuel oil;

18 (C) petroleum coke; or

19 (D) a liquefied petroleum gas.

20 (22) REGULATED COAL FACILITY.—The term  
21 “regulated coal facility” means a facility that uses  
22 more than 5,000 tons of coal in a calendar year.

23 (23) REGULATED ENTITY.—The term “regu-  
24 lated entity” means—

25 (A) a regulated fuel distributor;

1 (B) the owner or operator of a regulated  
2 coal facility;

3 (C) a nonfuel regulated entity; or

4 (D) an entity designated by the President  
5 under section 102(g)(2).

6 (24) REGULATED FUEL DISTRIBUTOR.—The  
7 term “regulated fuel distributor” means—

8 (A) the owner or operator of—

9 (i) a petroleum refinery; or

10 (ii) a natural gas processing plant; or

11 (B) an importer of—

12 (i) petroleum products;

13 (ii) coke; or

14 (iii) natural gas (including liquefied  
15 natural gas).

16 (25) SECRETARY.—The term “Secretary”  
17 means the Secretary of Energy.

18 (26) STATE.—The term “State” means—

19 (A) each of the several States of the  
20 United States;

21 (B) the District of Columbia;

22 (C) the Commonwealth of Puerto Rico;

23 (D) Guam;

24 (E) American Samoa;

1 (F) the Commonwealth of the Northern  
2 Mariana Islands;

3 (G) the Federated States of Micronesia;

4 (H) the Republic of the Marshall Islands;

5 (I) the Republic of Palau; and

6 (J) the United States Virgin Islands.

7 (27) TAP.—The term “TAP” means the tech-  
8 nology accelerator payment determined under section  
9 102.

10 (28) UNITED STATES.—The term “United  
11 States”, when used in the geographic sense, means  
12 all of the States.

13 **TITLE I—STRATEGIC REDUC-**  
14 **TION TARGETS, COMPLIANCE,**  
15 **AND TRADING**

16 **SEC. 101. QUANTITY OF ANNUAL ALLOWANCES.**

17 The President shall issue a total quantity of allow-  
18 ances for covered greenhouse gas emissions for each cal-  
19 endar year in accordance with the following table:

Calendar Year	Millions of Metric Tons of Covered Greenhouse Gas Emis- sions
2012 .....	6,652
2013 .....	6,592
2014 .....	6,533
2015 .....	6,474
2016 .....	6,416
2017 .....	6,358
2018 .....	6,301

Calendar Year	Millions of Metric Tons of Covered Greenhouse Gas Emis- sions
2019 .....	6,245
2020 .....	6,188
2021 .....	6,097
2022 .....	6,006
2023 .....	5,915
2024 .....	5,823
2025 .....	5,732
2026 .....	5,550
2027 .....	5,367
2028 .....	5,184
2029 .....	5,002
2030 and each calendar year thereafter .....	4,819.

1 **SEC. 102. SUBMISSION OF ALLOWANCES, CREDITS, AND**  
2 **PAYMENTS.**

3 (a) **REQUIREMENT.**—For calendar year 2012 and  
4 each calendar year thereafter, each regulated entity shall  
5 submit to the President—

6 (1) the number of allowances or credits equal to  
7 the covered greenhouse gas emissions of the regu-  
8 lated entity; or

9 (2) a payment equal to the amount of the appli-  
10 cable TAP price in lieu of submission of 1 or more  
11 required allowances.

12 (b) **DEADLINE FOR SUBMISSION.**—Each regulated  
13 entity required to submit an allowance under this section  
14 shall submit the allowance, credit, or payment under sub-  
15 section (a) not later than March 31 of the calendar year

1 following the calendar year for which the allowance is re-  
2 quired to be submitted.

3 (c) RULES.—The President shall promulgate such  
4 rules as the President determines to be necessary or ap-  
5 propriate to—

6 (1) identify and register each regulated entity  
7 that is required to submit an allowance under this  
8 section; and

9 (2) require the submission of reports and other-  
10 wise obtain any information the President deter-  
11 mines to be necessary to calculate or verify the com-  
12 pliance of a regulated entity with any requirement  
13 under this section.

14 (d) DETERMINATION OF APPLICABLE TAP PRICE.—  
15 The applicable TAP price per allowance shall be—

16 (1) for calendar year 2012, \$12 per metric ton  
17 of carbon dioxide equivalent; and

18 (2) for each subsequent calendar year, an  
19 amount equal to the product obtained by multi-  
20 plying—

21 (A) the TAP price established for the pre-  
22 ceding calendar year increased by 5 percent;  
23 and

24 (B) the ratio that—



1 (i) the implicit price deflator for the  
2 gross domestic product, as computed and  
3 published by the Department of Commerce  
4 for the most recent 4-calendar quarter pe-  
5 riod for which data is available; bears to

6 (ii) the implicit price deflator for the  
7 gross domestic product, as computed and  
8 published by the Department of Commerce  
9 for the 4-calendar quarter period imme-  
10 diately preceding the period referred to in  
11 clause (i).

12 (e) DISPOSITION OF RECEIPTS.—The funds received  
13 under subsection (a)(2) shall be deposited into the Energy  
14 Technology Deployment Fund.

15 (f) EXEMPTION.—The President may exempt from  
16 the requirements of this Act a regulated entity for any  
17 period during which the President determines, after pro-  
18 viding an opportunity for public comment, that measuring  
19 or estimating the quantity of covered greenhouse gas emis-  
20 sions by the entity is not feasible.

21 (g) ADJUSTMENTS.—

22 (1) MODIFICATION.—The President may mod-  
23 ify, by rule, the quantity of covered greenhouse gas  
24 emissions attributable to a regulated entity if the

1       President determines that the modification is nec-  
2       essary to ensure that—

3               (A) allowances are submitted for all quan-  
4               tities of covered greenhouse gas emissions; and

5               (B) allowances are not submitted for the  
6               same quantity of covered greenhouse gas emis-  
7               sions by more than 1 regulated entity.

8       (2) EXTENSION.—The President may extend,  
9       by rule, the requirement to submit allowances under  
10       this section to an entity that is not otherwise a regu-  
11       lated entity if the President determines that the ex-  
12       tension is necessary to ensure that allowances are  
13       submitted for all covered greenhouse gas emissions.

14       (3) APPLICATION TO NATURAL GAS.—

15               (A) IN GENERAL.—Rules under para-  
16               graphs (1) and (2) shall ensure that—

17                       (i) the requirements of subsection (a)  
18                       are met for any natural gas that is not im-  
19                       ported or processed by a natural gas proc-  
20                       essor; and

21                       (ii) more than 1 allowance is not re-  
22                       quired to be submitted for a unit of nat-  
23                       ural gas that is imported and subsequently  
24                       processed in the United States.

1 (B) ALASKA NATURAL GAS.—In the case  
2 of natural gas produced in Alaska and not re-  
3 injected in the field, the producer of the natural  
4 gas and any associated natural gas liquids shall  
5 be considered to be the natural gas processor  
6 and the regulated fuel distributor of the natural  
7 gas and natural gas liquids.

8 (h) STUDY ON PROCESS EMISSIONS.—Not later than  
9 2 years after the date of enactment of this Act, the Presi-  
10 dent shall—

11 (1) carry out studies of the technical and eco-  
12 nomic feasibility of requiring the submission of al-  
13 lowances for process emissions not otherwise covered  
14 by this title; and

15 (2) submit to Congress a report that describes  
16 the results of the study (including recommendations  
17 of the President based on those results).

18 (i) NEXT GENERATION METHANE REDUCTION AND  
19 USE TECHNOLOGIES.—

20 (1) REPORT.—Not later than 1 year after the  
21 date of enactment of this Act, the President shall  
22 submit to Congress a report that—

23 (A) assesses the potential for next genera-  
24 tion technologies that can reduce and use meth-

1           ane emissions from natural sources and the en-  
2           ergy, agricultural, and waste sectors; and

3                   (B) includes recommendations for funding  
4           research and development and technology de-  
5           ployment programs for the most promising  
6           technologies.

7           (2) DEMONSTRATION PROJECTS.—The Sec-  
8           retary shall use a portion of the funds provided  
9           under paragraph (3) to support demonstration  
10          projects that use methane capture and use tech-  
11          nologies.

12          (3) FUNDING.—Of the funds in the Energy  
13          Technology Deployment Fund, the Secretary, in con-  
14          sultation with the Administrator of the Environ-  
15          mental Protection Agency and the Secretary of the  
16          Interior, shall use to carry out a methane research  
17          and development program (including demonstration  
18          projects), without further appropriation,  
19          \$10,000,000 for each of fiscal years 2010 through  
20          2019.

21          (j) RETIREMENT OF ALLOWANCES.—

22                  (1) IN GENERAL.—Any person or entity that is  
23          not subject to this Act may submit to the President  
24          an allowance for retirement at any time.

1           (2) ACTION BY PRESIDENT.—On receipt of an  
2 allowance under paragraph (1), the President—

3                   (A) shall accept the allowance; and

4                   (B) shall not allocate, auction, or otherwise  
5 reissue the allowance.

6 **SEC. 103. TRADING SYSTEM FOR ALLOWANCES AND CRED-**  
7 **ITS.**

8 (a) ADMINISTRATIVE REQUIREMENTS.—

9           (1) DENOMINATION.—Allowances and credits  
10 issued by the President under this Act shall be de-  
11 nominated in units of metric tons of carbon dioxide  
12 equivalent.

13           (2) PERIOD OF USE AND BANKING.—An allow-  
14 ance or credit issued by the President under this Act  
15 may be used during—

16                   (A) the calendar year for which the allow-  
17 ance or credit is issued; or

18                   (B) any subsequent calendar year.

19           (3) SERIAL NUMBERS.—The President shall—

20                   (A) assign a unique serial number to each  
21 allowance or credit issued under this Act; and

22                   (B) retire the serial number of an allow-  
23 ance or credit on the date on which the allow-  
24 ance or credit is submitted.

25 (b) TRADING SYSTEM.—

1 (1) IN GENERAL.—The President shall—

2 (A) establish, by rule, a trading system  
3 under which allowances and credits may be  
4 sold, exchanged, purchased, or transferred by  
5 any person or entity, including a registry for  
6 issuing, recording, and tracking allowances and  
7 credits; and

8 (B) specify all procedures and require-  
9 ments required for orderly functioning of the  
10 trading system.

11 (2) TRANSPARENCY.—

12 (A) IN GENERAL.—The trading system  
13 under paragraph (1) shall include such provi-  
14 sions as the President considers to be appro-  
15 priate to—

16 (i) facilitate price transparency and  
17 participation in the market for allowances  
18 and credits; and

19 (ii) protect buyers and sellers of allow-  
20 ances and credits, and the public, from the  
21 adverse effects of collusion and other anti-  
22 competitive behaviors.

23 (B) AUTHORITY TO OBTAIN INFORMA-  
24 TION.—The President may obtain any informa-  
25 tion the President considers to be necessary to

1 carry out this subsection from any person or  
 2 entity that buys, sells, exchanges, or otherwise  
 3 transfers an allowance or credit.

4 (c) NATURE OF ALLOWANCES AND CREDITS.—An al-  
 5 lowance or credit that is allocated or distributed under this  
 6 Act shall not constitute a security or property right.

## 7 **TITLE II—ALLOCATION AND** 8 **AUCTION OF ALLOWANCES**

### 9 **SEC. 201. GENERAL ALLOCATION AND AUCTION RULES.**

10 (a) PERCENTAGE OF ALLOWANCES AVAILABLE FOR  
 11 ALLOCATION AND AUCTION.—

12 (1) CALENDAR YEARS 2012 THROUGH 2030.—  
 13 For each of calendar years 2012 through 2030, the  
 14 percentage of the total quantity of allowances issued  
 15 and available for allocation, sequestration and early  
 16 reduction projects, and auction shall be determined  
 17 in accordance with the following table:

Year	Auction			Allocation to Industry Sectors (Regulated and Non-regulated Entities)	Set-Aside Programs			Allocation to States
	Technology	Adaption	Low-Income Assistance		Agriculture Sequestration	Early Reduction	CCS Bonus Allowance	
2012	12	8	4	53	5	1	8	9
2013	12	8	4	53	5	1	8	9
2014	12	8	4	53	5	1	8	9
2015	12	8	4	53	5	1	8	9
2016	12	8	4	53	5	1	8	9
2017	13	9	4	51	5	1	8	9

Year	Auction			Allocation to Industry Sectors (Regulated and Non-regulated Entities)	Set-Aside Programs			Allocation to States
	Technology	Adaption	Low-Income Assistance		Agriculture Sequestration	Early Reduction	CCS Bonus Allowance	
2018	14	10	4	49	5	1	8	9
2019	15	11	4	47	5	1	8	9
2020	16	12	4	45	5	1	8	9
2021	17	13	5	43	5	0	8	9
2022	18	14	5	41	5	0	8	9
2023	19	15	5	39	5	0	8	9
2024	20	16	5	37	5	0	8	9
2025	21	17	5	35	5	0	8	9
2026	22	18	5	33	5	0	8	9
2027	23	19	5	31	5	0	8	9
2028	24	20	5	29	5	0	8	9
2029	25	21	5	27	5	0	8	9
2030	26	22	5	25	5	0	8	9

1                   (2) CALENDAR YEAR 2031 AND SUBSEQUENT  
2                   CALENDAR YEARS.—For calendar year 2031 and  
3                   each subsequent calendar year, the percentage of the  
4                   total quantity of allowances issued shall be equal to  
5                   the percentages allocated under paragraph (1) for  
6                   calendar year 2030, as adjusted as follows:

7                   (A) The percentages allocated to tech-  
8                   nology and adaptation shall each increase by 1  
9                   percentage point for each of calendar years  
10                  2031 through 2043.

11                  (B) The percentage allocated to industry  
12                  sectors shall decrease by 2 percentage points  
13                  for each of calendar years 2031 through 2043.



1           (C) For calendar year 2043 and each sub-  
2           sequent calendar year, the percentages for tech-  
3           nology, adaptation, and industry sectors shall  
4           be established at 39, 36, and 0, respectively.

5           (b) ALLOCATION OF ALLOWANCES.—

6           (1) ALLOCATIONS.—Except as otherwise spe-  
7           cifically provided in this Act, not later than the date  
8           that is 2 years before the beginning of the initial al-  
9           location period, and each subsequent allocation pe-  
10          riod, the President shall, by rule, allocate for each  
11          calendar year during the allocation period a quantity  
12          of allowances in accordance with this subsection.

13          (2) QUANTITY.—The total quantity of allow-  
14          ances available to be allocated for each calendar year  
15          of an allocation period shall be the product obtained  
16          by multiplying—

17                 (A) the total quantity of allowances issued  
18                 for the calendar year under section 101; and

19                 (B) the allocation percentage for the cal-  
20                 endar year under subsection (a).

21          (3) ALLOWANCE ALLOCATION RULEMAKING.—

22          Not later than 18 months after the date of enact-  
23          ment of this Act, the President shall establish, by  
24          rule, procedures for allocating allowances in accord-  
25          ance with the criteria established under this sub-

1 section, including forms, schedules for submission,  
 2 and other requirements for the reporting of informa-  
 3 tion necessary for the allocation of allowances under  
 4 this section.

5 (4) COST OF ALLOWANCES.—The President  
 6 shall distribute allowances under this title at no cost  
 7 to the recipient of the allowance.

8 (c) ALLOCATION WITHIN INDUSTRY SECTORS.—The  
 9 allowances available for allocation to industry under sub-  
 10 section (b)(2) shall be distributed to industry sectors as  
 11 follows:

Industry Sector	Facilities within Industry Sector	Percentage of Allowances Allocated to Industry
Coal	Eligible Coal Mine	12
Refining	Eligible Petroleum Refineries	7
Natural Gas	Eligible Natural Gas Processing Plants	4
Electric Power	Eligible Electric Generation Facilities	54
Nonfuel Entities	Eligible Nonfuel Regulated Facilities	4
Carbon-intensive Manufacturing	Eligible Manufacturing Facilities	19

12 **SEC. 202. ALLOCATION TO INDUSTRY SECTORS OTHER**  
 13 **THAN CARBON-INTENSIVE MANUFACTURING.**

14 (a) DEFINITIONS.—In this section:

15 (1) CALCULATED BASELINE EMISSIONS.—The  
 16 term “calculated baseline emissions” means, for an

1 eligible electric generation facility that is a new eligi-  
2 ble facility or a new entrant facility, the product ob-  
3 tained by multiplying—

4 (A) the nameplate capacity of the facility;

5 (B) the national average capacity factor  
6 for the type of generation facility during the  
7 most recent 3-year period for which data are  
8 available; and

9 (C) the applicable emission rate established  
10 by the President pursuant to subsection (c), as  
11 determined as of the date on which the facility  
12 is first eligible to receive allowances.

13 (2) CARBON CONTENT ALLOCATION FACTOR.—

14 The term “carbon content allocation factor”  
15 means—

16 (A) in the case of an eligible coal mine, the  
17 carbon dioxide equivalent of the coal produced  
18 at the coal mine;

19 (B) in the case of an eligible electric gen-  
20 eration facility—

21 (i) if the eligible electric generation  
22 facility is an existing eligible facility, the  
23 carbon dioxide emissions of the facility; or

24 (ii) if the eligible electric generation  
25 facility is a new eligible facility or a new

1 entrant facility, the calculated baseline  
2 emissions of the facility; and

3 (C) in the case of an eligible petroleum re-  
4 finery, an eligible gas processing facility, or an  
5 eligible nonfuel regulated facility, the covered  
6 greenhouse gas emissions of the facility.

7 (3) EXISTING ELIGIBLE FACILITY.—The term  
8 “existing eligible facility” means an eligible facility  
9 that began operation prior to January 1, 2007.

10 (4) NEW ELIGIBLE FACILITY.—The term “new  
11 eligible facility” means an eligible facility that began  
12 operation after December 31, 2006, and before the  
13 allocation is made for an allocation period.

14 (5) NEW ENTRANT FACILITY.—The term “new  
15 entrant facility”, with respect to an allocation pe-  
16 riod, means an eligible facility that began operation  
17 during or after the calendar year in which the allo-  
18 cation rule was promulgated under section 201(b)(1)  
19 for that allocation period.

20 (b) ALLOCATION.—

21 (1) TOTAL ALLOCATION.—For each calendar  
22 year, eligible facilities (other than new entrant facili-  
23 ties) within an industry sector shall be allocated 92  
24 percent of the total quantity of allowances available

1 for allocation to that industry sector under section  
2 201(c).

3 (2) GENERAL RULE FOR ALLOCATION TO INDI-  
4 VIDUAL FACILITIES.—For each calendar year, the  
5 quantity of allowances allocated to each eligible facil-  
6 ity (other than a new entrant facility) within an in-  
7 dustry sector shall be the quantity equal to the prod-  
8 uct obtained by multiplying—

9 (A) the total allocation to eligible facilities  
10 (other than new entrant facilities) in that sector  
11 under paragraph (1); and

12 (B) the ratio that—

13 (i) the carbon content allocation fac-  
14 tor for that facility during the 3-year pe-  
15 riod beginning on January 1, 2004 (or, in  
16 the case of a new eligible facility, during  
17 the first 3 years of operation); bears to

18 (ii) the sum of the carbon content al-  
19 location factors for all eligible facilities  
20 (other than new entrant facilities) in that  
21 sector, as determined pursuant to clause

22 (i).

23 (3) ALLOCATION FOR NEW ENTRANTS.—

24 (A) IN GENERAL.—For each calendar year,  
25 8 percent of the total quantity of allowances

1 available for allocation to an industry sector  
2 under section 201(c) shall be available for allo-  
3 cation to new entrant facilities in that sector, as  
4 determined under subparagraphs (B) and (C).

5 (B) INDIVIDUAL ALLOCATIONS.—Each cal-  
6 endar year, the President shall allocate allow-  
7 ances to any new entrant facility for that cal-  
8 endar year equal to the product obtained by  
9 multiplying—

10 (i) the carbon content allocation fac-  
11 tor for that facility for the prior calendar  
12 year; and

13 (ii) the ratio that (for that calendar  
14 year)—

15 (I) the allowances allocated under  
16 paragraph (1) to the applicable indus-  
17 try sector; bears to

18 (II) the sum of the carbon con-  
19 tent allocation factors for all eligible  
20 facilities (other than new entrant fa-  
21 cilities) in that sector.

22 (C) RELATIONSHIP TO AUCTION.—

23 (i) INSUFFICIENT ALLOCATIONS.—If  
24 the allowances available for allocation to  
25 new entrant facilities under subparagraph

1 (A) are insufficient to enable the alloca-  
2 tions required under subparagraph (B) to  
3 be made, the additional required allow-  
4 ances shall be deducted from the allow-  
5 ances available for auction under section  
6 208.

7 (ii) SURPLUS ALLOCATIONS.—If the  
8 President does not allocate under subpara-  
9 graph (B) all the allowances available for  
10 new entrants under subparagraph (A), any  
11 unallocated allowances shall be added to  
12 the allowances available for auction.

13 (c) ELIGIBILITY CRITERIA FOR POST-2006 ELEC-  
14 TRIC GENERATION FACILITIES.—

15 (1) CRITERIA.—The President shall establish,  
16 by rule, emissions rate criteria for—

17 (A) natural gas-fired generation facilities  
18 for electric energy, based on the carbon dioxide  
19 per kilowatt hour emission rate of new natural  
20 gas combined cycle facilities; and

21 (B) coal-fired generation facilities for elec-  
22 tric energy that commence operation after De-  
23 cember 31, 2006, based on the lowest economi-  
24 cally achievable carbon dioxide per kilowatt  
25 hour emission rate for a facility of that type.

1 (2) REVIEW AND REVISION.—The President—

2 (A) shall review the criteria in advance of  
3 the allocation for each subsequent allocation pe-  
4 riod; and

5 (B) may revise the criteria by rule.

6 (3) EFFECTIVE DATE OF REVISIONS.—Any revi-  
7 sion of the criteria shall apply only with respect to  
8 eligible electricity generation facilities beginning op-  
9 eration after the effective date of the revised cri-  
10 terion.

11 **SEC. 203. ALLOCATION TO CARBON-INTENSIVE MANUFAC-**  
12 **TURING.**

13 (a) DEFINITIONS.—In this section:

14 (1) CURRENTLY OPERATING FACILITY.—The  
15 term “currently operating facility” means an eligible  
16 manufacturing facility that had significant oper-  
17 ations during the calendar year preceding the cal-  
18 endar year for which the allocation rule is promul-  
19 gated under section 201(b) for an allocation period.

20 (2) ELIGIBLE MANUFACTURING FACILITY.—

21 (A) IN GENERAL.—The term “eligible  
22 manufacturing facility” means a manufacturing  
23 facility located in the United States that prin-  
24 cipally manufactures iron, steel, aluminum,  
25 pulp, paper, cement, chemicals, or such other



1 products as the President may determine, by  
2 rule, are likely to be significantly disadvantaged  
3 in competitive international markets as a result  
4 of indirect costs of the program established  
5 under this Act.

6 (B) EXCLUSION.—The term “eligible man-  
7 ufacturing facility” does not include a facility  
8 eligible to receive allowances under section 202  
9 or any electric generator.

10 (3) INDIRECT CARBON DIOXIDE EMISSIONS.—  
11 The term “indirect carbon dioxide emissions” means  
12 the product obtained by multiplying (as determined  
13 by the President)—

14 (A) the quantity of electricity consumption  
15 at an eligible manufacturing facility; and

16 (B) the rate of carbon dioxide emission per  
17 kilowatt-hour output for the region in which the  
18 manufacturer is located.

19 (4) NEW ENTRANT MANUFACTURING FACIL-  
20 ITY.—The term “new entrant manufacturing facil-  
21 ity”, with respect to an allocation period, means an  
22 eligible manufacturing facility that began operation  
23 during or after the calendar year for which the allo-  
24 cation rule was promulgated under subsection  
25 201(b) for that allocation period.

1           (b) TOTAL ALLOCATION FOR CURRENTLY-OPER-  
2   ATING FACILITIES.—For each calendar year, currently-op-  
3   erating facilities shall be allocated 96 percent of the total  
4   quantity of allowances available for allocation to carbon-  
5   intensive manufacturing under section 201(c).

6           (c) TOTAL ALLOCATION FOR CURRENTLY-OPER-  
7   ATING FACILITIES IN EACH CATEGORY OF MANUFAC-  
8   TURING FACILITIES.—The quantity of allowances avail-  
9   able for allocation to facilities in each category of cur-  
10   rently-operating facilities shall be equal to the product ob-  
11   tained by multiplying—

12           (1) the total quantity of allowances available for  
13   allocation under subsection (b); and

14           (2) the ratio that (during the year preceding  
15   the calendar year for which the allocation rule is  
16   promulgated for the allocation period)—

17           (A) the sum of the direct and indirect car-  
18   bon dioxide emissions by currently-operating fa-  
19   cilities in the category; bears to

20           (B) the sum of the direct and indirect car-  
21   bon dioxide emissions by all currently-operating  
22   facilities.

23           (d) INDIVIDUAL ALLOCATIONS TO CURRENTLY-OP-  
24   ERATING FACILITIES.—For each calendar year of the allo-  
25   cation period, the quantity of allowances allocated to a

1 currently-operating facility shall be the quantity equal to  
2 the product obtained by multiplying—

3 (1) the total quantity of allowances available for  
4 allocation to currently-operating facilities in the ap-  
5 propriate category, as determined under subsection  
6 (c); and

7 (2) the ratio that (during the 3 calendar years  
8 preceding the year for which the allocation rule is  
9 promulgated for the allocation period)—

10 (A) the average number of production em-  
11 ployees employed at the facility; bears to

12 (B) the average number of production em-  
13 ployees employed at all existing eligible manu-  
14 facturing facilities in the appropriate category.

15 (e) REVOCATION OF ALLOWANCES ON FACILITY  
16 SHUT DOWN.—If an eligible manufacturing facility re-  
17 ceived an allocation of allowances under this section for  
18 an allocation period and is subsequently permanently shut  
19 down during the allocation period, the facility shall  
20 promptly return to the President allowances equal to the  
21 allowances received for calendar years after the calendar  
22 year of the shut down.

23 (f) NEW ENTRANT MANUFACTURING FACILITIES.—

24 (1) IN GENERAL.—For each calendar year, 4  
25 percent of the total quantity of allowances available

1 for allocation to carbon intensive manufacturing  
2 under section 201(c) shall be allocated to new en-  
3 trant manufacturing facilities.

4 (2) INDIVIDUAL ALLOCATIONS.—Each calendar  
5 year, the President shall allocate allowances to any  
6 new entrant manufacturing facility for that calendar  
7 year in a quantity equal to the product obtained by  
8 multiplying—

9 (A) the average number of production em-  
10 ployees employed at the new entrant manufac-  
11 turing facility during the prior calendar year;  
12 and

13 (B) the rate (in allowances per production  
14 employee) at which allowances were allocated to  
15 currently-operating facilities in the appropriate  
16 category for the calendar year, as determined  
17 under subsection (d).

18 (3) RELATIONSHIP TO AUCTION.—Section  
19 202(b)(3)(C) shall be applicable to allowances for  
20 new entrant manufacturing facilities to the same ex-  
21 tent that section 202(b)(3)(C) applies to allowances  
22 for other new entrant facilities.

23 **SEC. 204. ALLOCATION TO STATES.**

24 (a) DISTRIBUTION.—Not later than the date that is  
25 2 years before the 5-year period beginning January 1,

1 2012 and ending December 31, 2017, and each subse-  
2 quent 5-year period, the President shall, by rule, allocate  
3 for each calendar year during the relevant 5-year period  
4 a quantity of allowances in accordance with this section.

5 (b) DISTRIBUTION.—The allowances available for al-  
6 location to States under section 201(b) for an allocation  
7 period shall be distributed as follows:

8 (1) For each calendar year of the period,  $\frac{1}{2}$  of  
9 the quantity of allowances available for allocation to  
10 States under section 201(b) shall be allocated to in-  
11 dividual States based on the ratio that—

12 (A) the greenhouse gas emissions of the  
13 State during the 3 calendar years preceding the  
14 calendar year for which the allocation rule is  
15 promulgated for the period; bears to

16 (B) the greenhouse gas emissions of all  
17 States for that period.

18 (2) For each calendar year of the period,  $\frac{1}{2}$  of  
19 the quantity of allowances available for allocation to  
20 States under section 201(b) shall be allocated among  
21 the States based on the ratio that—

22 (A) the population of the State, as deter-  
23 mined by the most recent decennial census pre-  
24 ceding the calendar year for which the alloca-

1           tion rule is promulgated for the allocation pe-  
2           riod; bears to

3                   (B) the population of all States as deter-  
4                   mined by that census.

5       (c) USE.—

6           (1) IN GENERAL.—During any calendar year, a  
7       State shall use not less than 90 percent of the allow-  
8       ances allocated to the State (or proceeds of sale of  
9       those allowances) for that calendar year—

10                   (A) to mitigate impacts on low-income en-  
11                   ergy consumers;

12                   (B) to promote energy efficiency (including  
13                   support of electricity demand reduction, waste  
14                   minimization, and recycling programs);

15                   (C) to promote investment in nonemitting  
16                   electricity generation technology;

17                   (D) to encourage advances in energy tech-  
18                   nology that reduce or sequester greenhouse gas  
19                   emissions;

20                   (E) to avoid distortions in competitive elec-  
21                   tricity markets;

22                   (F) to mitigate obstacles to investment by  
23                   new entrants in electricity generation markets  
24                   and energy-intensive manufacturing sectors;

1 (G) to address local or regional impacts of  
2 climate change policy, including providing as-  
3 sistance to displaced workers;

4 (H) to mitigate impacts on energy-inten-  
5 sive industries in internationally competitive  
6 markets; or

7 (I) to enhance energy security.

8 (2) DEADLINE.—A State shall distribute or sell  
9 allowances for use in accordance with paragraph (1)  
10 by not later than 1 year before the beginning of each  
11 allowance allocation period.

12 (3) RETURN OF ALLOWANCES.—Not later than  
13 330 days before the beginning of each period, a  
14 State shall return to the President any allowances  
15 not distributed by the deadline in paragraph (2).

16 **SEC. 205. ALLOCATION FOR AGRICULTURAL PROJECTS.**

17 (a) AGRICULTURAL GREENHOUSE GAS MANAGE-  
18 MENT RESEARCH.—

19 (1) REPORT.—Not later than 1 year after the  
20 date of enactment of this Act, the Secretary of Agri-  
21 culture, in consultation with scientific and agricul-  
22 tural experts, shall prepare and submit to Congress  
23 a report that describes the status of research on ag-  
24 ricultural greenhouse gas management, including a  
25 description of—

1 (A) research on soil carbon sequestration  
2 and other agricultural greenhouse gas manage-  
3 ment that has been carried out;

4 (B) any additional research that is nec-  
5 essary;

6 (C) the proposed priority for additional re-  
7 search;

8 (D) the most appropriate approaches for  
9 conducting the additional research; and

10 (E) the manner in which carbon credits  
11 that are specific to agricultural operations  
12 should be valued and allotted.

13 (2) STANDARDIZED SYSTEM OF SOIL CARBON  
14 MEASUREMENT AND CERTIFICATION FOR THE AGRI-  
15 CULTURAL SECTOR.—

16 (A) IN GENERAL.—As soon as practicable  
17 after the date of enactment of this Act, the Sec-  
18 retary of Agriculture shall establish a standard-  
19 ized system of soil carbon measurement and  
20 certification for the agricultural sector.

21 (B) ADMINISTRATION.—In establishing the  
22 system, the Secretary shall—

23 (i) create a standardized system of  
24 measurements for agricultural greenhouse  
25 gases that takes into account crop type,



1 fertilizer and water inputs, soil type, region  
2 or weather, tilling practices, and other rel-  
3 evant factors; and

4 (ii) delineate the most appropriate  
5 system of certification of credit by public  
6 or private entities.

7 (3) RESEARCH.—After the date of submission  
8 of the report described in paragraph (1), the Presi-  
9 dent and the Secretary of Agriculture (in collabora-  
10 tion with the member institutions of higher edu-  
11 cation of the Consortium for Agricultural Soil Miti-  
12 gation of Greenhouse Gases, institutions of higher  
13 education, and research entities) shall initiate a pro-  
14 gram to conduct any additional research that is nec-  
15 essary relating to soil carbon sequestration and  
16 other agricultural sector greenhouse gas emissions  
17 for all agricultural sectors, including trees and  
18 grassland.

19 (b) AGRICULTURAL SEQUESTRATION ALLOWANCES  
20 .—Taking into account the report prepared under sub-  
21 section (a)(1), the Secretary of Agriculture shall establish,  
22 by rule, a program under which agricultural sequestration  
23 allowances may be distributed to entities that carry out  
24 sequestration projects on agricultural land that achieve  
25 long-term greenhouse gas emission mitigation benefits.

1           (c) QUANTITY.—During a calendar year, the Sec-  
2 retary of Agriculture shall distribute agricultural seques-  
3 tration allowances in a quantity not greater than the prod-  
4 uct obtained by multiplying—

5           (1) the total number of allowances issued for  
6 the calendar year under section 101(a); and

7           (2) the percentage of allowances available for  
8 agricultural sequestration under section 201(a).

9           (d) RELATIONSHIP TO AUCTION.—

10           (1) INSUFFICIENT ALLOWANCES.—If the allow-  
11 ances available for agricultural sequestration under  
12 subsection (c) are insufficient to enable the alloca-  
13 tions required under the program established under  
14 subsection (b) to be made, the additional required  
15 allowances shall be deducted from allowances avail-  
16 able for auction under section 208.

17           (2) SURPLUS ALLOWANCES.—If the Secretary  
18 of Agriculture does not allocate under this sub-  
19 section all of the allowances available for agricultural  
20 sequestration, any unallocated allowances shall be  
21 added to the allowances available for auction under  
22 section 208.

23           (e) EDUCATION AND OUTREACH SERVICES.—The  
24 Secretary of Agriculture, acting through the Cooperative

1 State Research, Education, and Extension Service, shall  
2 carry out a program to provide—

3 (1) education and outreach services to agricul-  
4 tural producers relating to—

5 (A) the carbon sequestering ability of soil  
6 by region, plant type, soil type, cropping prac-  
7 tice, and water availability;

8 (B) the soil and environmental benefits of  
9 carbon sequestration;

10 (C) the transition to carbon sequestering  
11 soil techniques;

12 (D) other agricultural sector greenhouse  
13 gas emission reduction activities; and

14 (E) the rules and earning potential of par-  
15 ticipating in private and public carbon trading  
16 systems; and

17 (2) education and outreach services to  
18 aggregators relating to—

19 (A) the management of carbon credits for  
20 agricultural producers; and

21 (B) the assistance provided to agricultural  
22 producers for the management required for car-  
23 bon trading systems.

24 (f) COMPETITIVE GRANTS.—

1           (1) IN GENERAL.—The Secretary of Agriculture  
2 shall carry out a program to provide competitive  
3 grants to conduct research, education, and outreach  
4 service projects under this section within and outside  
5 of the Department of Agriculture.

6           (2) PRIORITY.—In making grants under para-  
7 graph (1), the Secretary of Agriculture shall give  
8 priority to community organizations and producer  
9 groups.

10          (3) LIMITATIONS.—

11           (A) RESEARCH PROJECTS.—The maximum  
12 amount of a grant awarded for a research  
13 project under this subsection shall be \$500,000.

14           (B) EDUCATIONAL AND OUTREACH  
15 PROJECTS.—The maximum amount of a grant  
16 awarded for an education or outreach project  
17 under this subsection shall be \$50,000.

18          (4) FUNDING.—Of the funds of the Energy  
19 Technology Deployment Fund, the Secretary of Ag-  
20 riculture shall use to carry out this subsection, with-  
21 out further appropriation, \$10,000,000 for each of  
22 fiscal years 2008 through 2013, to remain available  
23 until expended.

24 **SEC. 206. ALLOCATION FOR EARLY REDUCTIONS.**

25          (a) ESTABLISHMENT.—

1           (1) IN GENERAL.—The President shall estab-  
2           lish, by rule, a program under which the President  
3           may distribute to any entity that carries out a  
4           project to reduce or sequester greenhouse gas emis-  
5           sions before the initial allocation period a quantity  
6           of allowances that reflects the actual emissions re-  
7           ductions or net sequestration of the project, as de-  
8           termined by the President.

9           (2) INSUFFICIENT ALLOWANCES.—The Presi-  
10          dent shall establish procedures for distribution of al-  
11          lowances if the total quantity of eligible early reduc-  
12          tions exceeds the quantity of allowances available  
13          under subsection (b).

14          (b) AVAILABLE ALLOWANCES.—The total quantity of  
15          allowances distributed under subsection (a) may not ex-  
16          ceed the product obtained by multiplying—

17                 (1) the total number of allowances issued for  
18                 the calendar year under section 101(a); and

19                 (2) the percentage available for early reduction  
20                 allowances for the calendar year under section  
21                 201(a).

22          (c) ELIGIBILITY.—The President may distribute al-  
23          lowances only for early reduction projects that—

24                 (1) are consistent with maintaining the environ-  
25                 mental integrity of the program under this Act; and

1 (2) were reported under—

2 (A) the Voluntary Reporting of Green-  
3 house Gases Program of the Energy Informa-  
4 tion Administration under section 1605(b) of  
5 the Energy Policy Act of 1992 (42 U.S.C.  
6 13385(b));

7 (B) the Climate Leaders Program of the  
8 Environmental Protection Agency; or

9 (C) a State-administered or privately ad-  
10 ministered registry that includes early reduction  
11 actions not covered under the programs de-  
12 scribed in subparagraph (A) or (B).

13 **SEC. 207. ALLOCATION OF CARBON CAPTURE AND SEQUES-**  
14 **TRATION BONUS ALLOWANCES.**

15 (a) BONUS ALLOWANCES FOR NEAR-TERM GEOLOGI-  
16 CAL SEQUESTRATION PROJECTS.—

17 (1) ESTABLISHMENT.—

18 (A) IN GENERAL.—The President shall es-  
19 tablish, by rule, a demonstration program under  
20 which the President shall encourage near-term  
21 development of certain geological sequestration  
22 projects by distributing bonus allowances to en-  
23 tities that implement the projects.

24 (B) ADDITIONAL ALLOWANCES.—The dis-  
25 tribution of bonus allowances shall be in addi-

1           tion to any credits distributed for the projects  
2           under section 302.

3           (2) QUALIFYING PROJECTS.—To be eligible for  
4           bonus allowances under this subsection, a project  
5           shall—

6                   (A) comply with such procedures as the  
7           President may establish for crediting geological  
8           sequestration projects under sections 302 and  
9           303;

10                   (B) sequester carbon dioxide emissions re-  
11           sulting from electric power generation; and

12                   (C) have begun operation during the period  
13           beginning January 1, 2008, and ending Decem-  
14           ber 31, 2030.

15           (3) ALLOCATION OF BONUS ALLOWANCES.—  
16           Each calendar year, the President shall distribute  
17           bonus allowances to each qualifying project under  
18           this subsection in a quantity equal to the product  
19           obtained by multiplying the number of tons seques-  
20           tered by the project and the bonus allowance rate  
21           for that calendar year as provided in the following  
22           table:

<b>Calendar Year</b>	<b>Bonus Allowance Rate</b>
2012	3.5
2013	3.5
2014	3.5
2015	3.5
2016	3.5
2017	3.5
2018	3.3
2019	3.1
2020	2.9
2021	2.7
2022	2.5
2023	2.3
2024	2.1
2025	1.9
2026	1.7
2027	1.5
2028	1.3
2029	1.1
2030	0.9
2031	0.7
2032	0.5
2033	0.5
2034	0.5
2035	0.5
2036	0.5
2037	0.5



<b>Calendar Year</b>	<b>Bonus Allowance Rate</b>
2038	0.5
2039	0.5
2040	0.0

1           (4) 10-YEAR LIMIT.—A qualifying project may  
2 receive annual bonus allowances under this sub-  
3 section only for the first 10 years of operation.

4           (5) RELATIONSHIP TO AUCTION.—

5           (A) INSUFFICIENT BONUS ALLOWANCES.—

6           If the bonus allowances available for geological  
7 sequestration (as determined by multiplying the  
8 total number of allowances issued for a cal-  
9 endar year under section 101(a) and the per-  
10 centage for geological sequestration under sec-  
11 tion 201(a)) are insufficient to enable the allo-  
12 cations required under paragraph (3) to be  
13 made, the additional required allowances shall  
14 be deducted from allowances available for auc-  
15 tion under section 208.

16           (B) SURPLUS BONUS ALLOWANCES.—If  
17 the President does not allocate under this sub-  
18 section all of the allowances available for geo-  
19 logical sequestration, any unallocated allow-  
20 ances shall be added to the allowances available  
21 for auction under section 208.

1 (b) REPORT ON GEOLOGICAL SEQUESTRATION  
2 PROJECTS.—Not later than 1 year after the date of enact-  
3 ment of this Act, the President shall submit to Congress  
4 a report on the environmental, health, and safety issues  
5 surrounding the long-term storage of large quantities of  
6 carbon dioxide emissions in geological formations, includ-  
7 ing any legislative recommendations to address liability for  
8 releases of carbon dioxide emissions from the formations.

9 **SEC. 208. AUCTION OF ALLOWANCES FOR TECHNOLOGY,**  
10 **ADAPTATION, AND ASSISTANCE PROGRAMS.**

11 (a) PROCEDURE.—The President shall establish, by  
12 rule, a procedure for the auction of allowances for each  
13 calendar year in accordance with this section.

14 (b) BASE QUANTITY.—Subject to subsection (c), the  
15 base quantity of allowances to be auctioned for a calendar  
16 year shall be the product obtained by multiplying—

17 (1) the total number of allowances issued for  
18 the calendar year under section 101(a); and

19 (2) the percentage for technology, adaptation,  
20 and low-income household assistance for the cal-  
21 endar year under section 201(a).

22 (c) ADJUSTMENTS TO NUMBER OF ALLOWANCES  
23 AUCTIONED.—For any calendar year, the quantity of al-  
24 lowances shall be equal to the base quantity of allowances  
25 determined pursuant to subsection (b)—

1 (1) minus any excess allowances needed to—

2 (A) allocate allowances to a new entrant  
3 facility under section 202(b)(3);

4 (B) allocate allowances to a new entrant  
5 manufacturing facility under section 203(f);

6 (C) allocate allowances for an agricultural  
7 sequestration project under section 205; or

8 (D) allocate carbon capture and sequestra-  
9 tion bonus allowances under section 207(a); and

10 (2) plus any allowances that were—

11 (A) available for allocation by the Presi-  
12 dent under section 201(b) for the calendar year  
13 but not distributed;

14 (B) available for allocation for the pro-  
15 ceeding calendar year for new entrant facilities  
16 under section 202(b)(3) but not distributed  
17 during that calendar year;

18 (C) returned to the President by the owner  
19 or operator of a shut down eligible manufac-  
20 turing facility under section 203(e);

21 (D) available for allocation for the pre-  
22 ceeding calendar year for new entrant manufac-  
23 turing facilities under section 203(f) but not  
24 distributed during that calendar year;

1 (E) returned to the President by a State  
2 under section 204(b)(3);

3 (F) available during the preceding calendar  
4 year for allocation to an agricultural project  
5 under section 205 but not distributed during  
6 that calendar year; or

7 (G) available during the preceding calendar  
8 year for allocation as a carbon capture and se-  
9 questration bonus allowance under section  
10 207(a) but not distributed during that calendar  
11 year.

12 (d) ALLOCATION OF REDUCTION OR INCREASE.—  
13 Any reduction or increase in auction allowances under  
14 subsection (c) shall be allocated among technology, adap-  
15 tation, and low-income household assistance in the same  
16 ratio as the base quantity of allowances is allocated be-  
17 tween technology, adaptation, and low-income household  
18 assistance under section 201(a).

19 (e) SCHEDULE.—The auction of allowances shall be  
20 held on the following schedule:

21 (1) In 2009, the President shall auction—

22 (A)  $\frac{1}{2}$  of the allowances available for auc-  
23 tion for 2012; and

24 (B)  $\frac{1}{2}$  of the allowances available for auc-  
25 tion for 2013.

1           (2) In 2010, the President shall auction  $\frac{1}{2}$  of  
2 the allowances available for auction for 2014.

3           (3) In 2011, the President shall auction  $\frac{1}{2}$  of  
4 the allowances available for auction for 2015.

5           (4) In 2012 and each subsequent calendar year,  
6 the President shall auction—

7                 (A)  $\frac{1}{2}$  of the allowances available for auc-  
8 tion for that calendar year; and

9                 (B)  $\frac{1}{2}$  of the allowances available for auc-  
10 tion for the calendar year that is 4 calendar  
11 years after that calendar year.

12 (f) AUCTION PROCEEDS.—

13           (1) ESTABLISHMENT OF FUNDS.—There are es-  
14 tablished in the Treasury the following funds:

15                 (A) The Energy Technology Deployment  
16 Fund.

17                 (B) The Climate Adaptation Fund.

18                 (C) The Energy Assistance Fund.

19           (2) DEPOSIT OF FUNDS.—Subject to paragraph  
20 (3), the President shall deposit into the funds under  
21 paragraph (1) the proceeds of auctions of allowances  
22 under this section, in the same ratio as the base  
23 quantity of allowances for the applicable year for  
24 technology, adaptation, and low-income household  
25 assistance, respectively, under section 201(a).

1           (3) LIMITATION.—Any auction proceeds that  
2           would otherwise be deposited into the funds estab-  
3           lished under subparagraphs (A) and (B) of para-  
4           graph (1) shall be treated as miscellaneous receipts  
5           of the United States and deposited into the general  
6           fund of the Treasury to the extent that the funds ex-  
7           ceed—

8                   (A) for calendar year 2009,  
9                   \$25,000,000,000; and

10                   (B) for each subsequent year, the product  
11           obtained by multiplying—

12                           (i) the amount of the limitation estab-  
13                           lished for the preceding year; by

14                           (ii) the ratio described in section  
15                           102(d)(2)(B).

16                   **TITLE III—PROVISION OF**  
17                   **CREDITS**

18           **SEC. 301. CREDITS FOR ACTIVITIES THAT TAKE GREEN-**  
19                   **HOUSE GAS PRECURSORS OUT OF COM-**  
20                   **MERCE IN THE UNITED STATES.**

21           (a) IN GENERAL.—The President shall establish, by  
22           rule, a program under which the President distributes  
23           credits to United States entities for certain downstream  
24           activities in accordance with this section.

1           (b) USE OF FUELS AS FEEDSTOCKS.—If the Presi-  
2 dent determines that an entity has used a covered fuel  
3 (other than coal) as a feedstock in calendar year 2012 or  
4 any calendar year thereafter, so that the carbon dioxide  
5 associated with the covered fuel will not be emitted, the  
6 President shall distribute to that entity a quantity of cred-  
7 its equal to the quantity of covered fuel used as feedstock  
8 by the entity during that calendar year, measured in car-  
9 bon dioxide equivalents.

10          (c) EXPORTERS OF COVERED FUEL.—If the Presi-  
11 dent determines that an entity has exported covered fuel  
12 (other than coal) (including exports of natural gas from  
13 Alaska to Canada for reimportation into the United  
14 States) in calendar year 2012 or any calendar year there-  
15 after, the President shall distribute to that entity a quan-  
16 tity of credits equal to the quantity of covered fuel ex-  
17 ported by the entity during that calendar year, measured  
18 in carbon dioxide equivalents.

19          (d) OTHER EXPORTERS.—If the President deter-  
20 mines that an entity has exported hydrofluorocarbons,  
21 perfluorocarbons, sulfur hexafluoride, or nitrous oxide in  
22 calendar year 2012 or any calendar year thereafter, the  
23 President shall distribute to that entity a quantity of cred-  
24 its equal to the volume of hydrofluorocarbons,  
25 perfluorocarbons, sulfur hexafluoride, or nitrous oxide ex-

1 ported by the entity during that calendar year, measured  
2 in carbon dioxide equivalents.

3 (e) HYDROFLUOROCARBON DESTRUCTION.—If the  
4 President determines that an entity has destroyed  
5 hydrofluorocarbons in calendar year 2012 or any calendar  
6 year thereafter, the President shall distribute to that enti-  
7 ty a quantity of credits equal to the volume of  
8 hydrofluorocarbons destroyed by the entity during that  
9 calendar year, measured in carbon dioxide equivalents.

10 **SEC. 302. CREDITS FOR CARBON DIOXIDE SEQUESTRATION.**

11 If the President determines that an entity has seques-  
12 tered in calendar year 2012 or any calendar year there-  
13 after carbon dioxide emissions in a geological formation  
14 in a manner the President determines will achieve long-  
15 term greenhouse gas mitigation benefits, the President  
16 shall distribute to that entity a quantity of credits equal  
17 to the quantity of carbon dioxide sequestered by the entity  
18 during that calendar year.

19 **SEC. 303. CREDITS FOR PROJECTS THAT OFFSET OTHER**  
20 **GREENHOUSE GAS EMISSIONS.**

21 (a) ESTABLISHMENT.—The President shall establish,  
22 by rule, a program under which the President shall dis-  
23 tribute credits to entities that carry out offset projects in  
24 the United States that—



1           (1)(A) reduce any greenhouse gas emissions  
2           that are not covered greenhouse gas emissions in  
3           calendar year 2012 or any calendar year thereafter;

4           or

5           (B) sequester a greenhouse gas in calendar year  
6           2012 or any calendar year thereafter;

7           (2) meet the requirements of section 601(c);  
8           and

9           (3) are consistent with maintaining the environ-  
10          mental integrity of the program under this Act.

11          (b) CATEGORIES OF OFFSET PROJECTS ELIGIBLE  
12          FOR STREAMLINED PROCEDURES.—

13           (1) IN GENERAL.—The program established  
14          under this section shall include the use of stream-  
15          lined procedures for distributing credits to categories  
16          of projects for which the President determines there  
17          are broadly accepted standards or methodologies for  
18          quantifying and verifying the long-term greenhouse  
19          gas emission mitigation benefits of the projects.

20           (2) CATEGORIES OF PROJECTS.—The stream-  
21          lined procedures described in paragraph (1) shall  
22          apply to—

23                   (A) landfill methane use projects;

24                   (B) animal waste or municipal wastewater  
25          methane use projects;

1 (C) projects to reduce sulfur hexafluoride  
2 emissions from transformers;  
3 (D) coal mine methane use projects; and  
4 (E) such other categories of projects as the  
5 President may specify by rule.

6 (c) DISTRIBUTION OF CREDITS.—

7 (1) IN GENERAL.—If the President determines  
8 that an entity has carried out an offset project in  
9 calendar year 2012 or any calendar year thereafter  
10 that is eligible under this section, the President shall  
11 distribute to that entity a quantity of credits equal  
12 to the volume of greenhouse gas emissions reduced  
13 or sequestered during that calendar year, measured  
14 in carbon dioxide equivalents.

15 (2) UNCLASSIFIED PROJECTS.—With respect to  
16 an offset project that is not classified within any  
17 project category described in subsection (b), the  
18 President may distribute less than 1 credit for each  
19 ton of greenhouse gas emissions reduced or seques-  
20 tered, measured in carbon dioxide equivalents.

21 (d) INELIGIBLE OFFSET PROJECTS.—An offset  
22 project shall not be eligible to receive a credit under this  
23 section if the offset project is eligible to receive credits  
24 or allowances under section 205, 206, 207, 301, or 302.

1 **TITLE IV—TECHNOLOGY, ADAP-**  
2 **TATION, AND ASSISTANCE**  
3 **PROGRAMS**

4 **SEC. 401. EARLY TECHNOLOGY DEPLOYMENT PROGRAMS.**

5 (a) IN GENERAL.—

6 (1) ALLOCATION.—Beginning in fiscal year  
7 2010, the Secretary shall use 80 percent of the  
8 funds deposited in the Energy Technology Deploy-  
9 ment Fund (other than funds used under sections  
10 102(i)(3) and 205(f)(4)), without further appropria-  
11 tion or fiscal year limitation, as follows:

12 (A) 45 percent of the funds shall be used  
13 to carry out the zero- or low-carbon energy  
14 technologies program under subsection (b).

15 (B) 35 percent of the funds shall be used  
16 as follows:

17 (i) 28 percent shall be used to carry  
18 out the advanced coal and sequestration  
19 technologies program under subsection (c).

20 (ii) 7 percent shall be used to carry  
21 out the cellulosic biomass ethanol and mu-  
22 nicipal solid waste technology deployment  
23 programs.

1                   (C) 20 percent shall be used to carry out  
2                   the advanced technology vehicles manufacturing  
3                   incentive program under subsection (e).

4                   (2) ADJUSTMENT OF PROGRAM FUNDING PRO-  
5                   PORTIONS.—

6                   (A) REVIEW.—Not later than September  
7                   30, 2013, the Secretary shall enter into appro-  
8                   priate arrangements with the National Academy  
9                   of Sciences to review, every 10 years, the fund-  
10                  ing categories and percentages under this sub-  
11                  section to determine if the categories and per-  
12                  centages are responsive to the greatest needs  
13                  and opportunities for deployment of advanced  
14                  energy technology to mitigate climate change.

15                  (B) ADJUSTMENT.—On receipt of the re-  
16                  port by the National Academy of Sciences, the  
17                  Secretary may, by rule, adjust the funding cat-  
18                  egories and percentages under this subsection  
19                  to implement the recommendations by the Na-  
20                  tional Academy of Sciences.

21                  (b) ZERO- OR LOW-CARBON ENERGY TECHNOLOGIES  
22                  DEPLOYMENT.—

23                  (1) DEFINITIONS.—In this subsection:

24                  (A) ENERGY SAVINGS.—The term “energy  
25                  savings” means megawatt-hours of electricity or

1 million British thermal units of natural gas  
2 saved by a product, in comparison to projected  
3 energy consumption under the energy efficiency  
4 standard applicable to the product.

5 (B) HIGH-EFFICIENCY CONSUMER PROD-  
6 UCT.—The term “high-efficiency consumer  
7 product” means a covered product to which an  
8 energy conservation standard applies under sec-  
9 tion 325 of the Energy Policy and Conservation  
10 Act (42 U.S.C. 6295), if the energy efficiency  
11 of the product exceeds the energy efficiency re-  
12 quired under the standard.

13 (C) ZERO- OR LOW-CARBON GENERA-  
14 TION.—The term “zero- or low-carbon genera-  
15 tion” means generation of electricity by an elec-  
16 tric generation unit that—

17 (i) emits no carbon dioxide into the  
18 atmosphere, or is fossil-fuel fired and emits  
19 into the atmosphere not more than 250  
20 pounds of carbon dioxide per megawatt-  
21 hour (after adjustment for any carbon di-  
22 oxide from the unit that is geologically se-  
23 questered); and

24 (ii) was placed into commercial service  
25 after the date of enactment of this Act.

1           (2) FINANCIAL INCENTIVES PROGRAM.—During  
2 each fiscal year beginning on or after October 1,  
3 2008, the Secretary shall competitively award finan-  
4 cial incentives under this subsection in the following  
5 technology categories:

6           (A) Production of electricity from new  
7 zero- or low-carbon generation.

8           (B) Manufacture of high-efficiency con-  
9 sumer products.

10          (3) REQUIREMENTS.—

11           (A) IN GENERAL.—The Secretary shall  
12 make awards under this subsection to producers  
13 of new zero- or low-carbon generation and to  
14 manufacturers of high-efficiency consumer  
15 products—

16           (i) in the case of producers of new  
17 zero- or low-carbon generation, based on  
18 the bid of each producer in terms of dol-  
19 lars per megawatt-hour of electricity gen-  
20 erated; and

21           (ii) in the case of manufacturers of  
22 high-efficiency consumer products, based  
23 on the bid of each manufacturer in terms  
24 of dollars per megawatt-hour or million  
25 British thermal units saved.

1 (B) ACCEPTANCE OF BIDS.—

2 (i) IN GENERAL.—In making awards  
3 under this subsection, the Secretary  
4 shall—

5 (I) solicit bids for reverse auction  
6 from appropriate producers and man-  
7 ufacturers, as determined by the Sec-  
8 retary; and

9 (II) award financial incentives to  
10 the producers and manufacturers that  
11 submit the lowest bids that meet the  
12 requirements established by the Sec-  
13 retary.

14 (ii) FACTORS FOR CONVERSION.—

15 (I) IN GENERAL.—For the pur-  
16 pose of assessing bids under clause  
17 (i), the Secretary shall specify a factor  
18 for converting megawatt-hours of elec-  
19 tricity and million British thermal  
20 units of natural gas to common units.

21 (II) REQUIREMENT.—The con-  
22 version factor shall be based on the  
23 relative greenhouse gas emission bene-  
24 fits of electricity and natural gas con-  
25 servation.

1           (C) INELIGIBLE UNITS.—A new unit for  
2           the generation of electricity that uses renewable  
3           energy resources shall not be eligible to receive  
4           an award under this subsection if the unit re-  
5           ceives renewable energy credits under a Federal  
6           renewable portfolio standard.

7           (4) FORMS OF AWARDS.—

8           (A) ZERO- AND LOW-CARBON GENERA-  
9           TORS.—An award for zero- or low-carbon gen-  
10          eration under this subsection shall be in the  
11          form of a contract to provide a production pay-  
12          ment for each year during the first 10 years of  
13          commercial service of the generation unit in an  
14          amount equal to the product obtained by multi-  
15          plying—

16                 (i) the amount bid by the producer of  
17                 the zero- or low-carbon generation; and

18                 (ii) the megawatt-hours estimated to  
19                 be generated by the zero- or low-carbon  
20                 generation unit each year.

21          (B) HIGH-EFFICIENCY CONSUMER PROD-  
22          UCTS.—An award for a high-efficiency con-  
23          sumer product under this subsection shall be in  
24          the form of a lump sum payment in an amount  
25          equal to the product obtained by multiplying—



1 (i) the amount bid by the manufac-  
2 turer of the high-efficiency consumer prod-  
3 uct; and

4 (ii) the energy savings during the pro-  
5 jected useful life of the high-efficiency con-  
6 sumer product, not to exceed 10 years, as  
7 determined under rules issued by the Sec-  
8 retary.

9 (c) ADVANCED COAL AND SEQUESTRATION TECH-  
10 NOLOGIES PROGRAM.—

11 (1) ADVANCED COAL TECHNOLOGIES.—

12 (A) DEFINITION OF ADVANCED COAL GEN-  
13 ERATION TECHNOLOGY.—In this paragraph, the  
14 term “advanced coal generation technology”  
15 means advanced coal-fueled power plant tech-  
16 nologies that—

17 (i) achieve a minimum efficiency of 30  
18 percent with respect to higher heating  
19 value of the feedstock after all parasitic re-  
20 quirements for carbon dioxide capture and  
21 compression to 2,000 psia have been sub-  
22 tracted; and

23 (ii) provide for capture of a significant  
24 quantity of carbon dioxide emissions, as  
25 determined by the Secretary.

1                   (B) DEMONSTRATION PROJECTS.—The  
2                   Secretary shall use  $\frac{1}{4}$  of the funds provided to  
3                   carry out this subsection during each year to  
4                   support demonstration projects using advanced  
5                   coal generation technology, including retrofit  
6                   technology that could be deployed on existing  
7                   coal generation facilities.

8                   (C) DEPLOYMENT INCENTIVES.—

9                   (i) IN GENERAL.—The Secretary shall  
10                  use  $\frac{1}{4}$  of the funds provided to carry out  
11                  this subsection during each fiscal year to  
12                  provide Federal financial incentives to fa-  
13                  cilitate the deployment of not more than  
14                  20 gigawatts of advanced coal generation  
15                  technologies.

16                  (ii) ADMINISTRATION.—In providing  
17                  incentives under this subparagraph, the  
18                  Secretary shall—

19                         (I) provide appropriate incentives  
20                         for regulated investor-owned utilities,  
21                         municipal utilities, electric coopera-  
22                         tives, and independent power pro-  
23                         ducers, as determined by the Sec-  
24                         retary; and

1 (II) ensure that a range of the  
2 domestic coal types is employed in the  
3 facilities that receive incentives under  
4 this subparagraph.

5 (iii) FUNDING REQUIREMENTS.—

6 (I) SEQUESTRATION ACTIVI-  
7 TIES.—The Secretary shall provide in-  
8 centives only to projects that will cap-  
9 ture and sequester emissions of car-  
10 bon dioxide.

11 (II) STORAGE AGREEMENT RE-  
12 QUIRED.—The Secretary shall require  
13 a binding storage agreement for the  
14 carbon dioxide captured in a project  
15 under this subsection, in a geologic  
16 storage project approved by the Sec-  
17 retary.

18 (III) PROJECTS USING CERTAIN  
19 COALS.—In providing incentives under  
20 this subparagraph, the Secretary shall  
21 set aside not less than 25 percent of  
22 any funds made available to carry out  
23 this paragraph for projects using  
24 lower rank coals, such as subbitu-  
25 minous coal and lignite.

1 (iv) DISTRIBUTION OF FUNDS.—A  
2 project that receives an award under this  
3 subparagraph may elect 1 of the following  
4 Federal financial incentives:

5 (I) A loan guarantee.

6 (II) A cost-sharing grant for not  
7 more than 50 percent of the cost of  
8 the project.

9 (III) Production payments of not  
10 more than 1.5 cents per kilowatt-hour  
11 of electric output during the first 10  
12 years of commercial service of the  
13 project.

14 (v) LIMITATION.—A project may not  
15 receive an award under this subsection if  
16 the project receives an award under sub-  
17 section (d).

18 (2) SEQUESTRATION.—

19 (A) IN GENERAL.—The Secretary shall use  
20  $\frac{1}{2}$  of the funds provided to carry out this sub-  
21 section during each fiscal year for large-scale  
22 geologic carbon storage demonstration projects  
23 that use carbon dioxide captured from facilities  
24 for the generation of electricity using coal gas-  
25 ification or other advanced coal combustion

1 processes, including facilities that receive assist-  
2 ance under paragraph (1).

3 (B) PROJECT CAPITAL AND OPERATING  
4 COSTS.—The Secretary shall provide assistance  
5 under this paragraph to reimburse the project  
6 owner for a percentage of the incremental  
7 project capital and operating costs of the  
8 project that are attributable to carbon capture  
9 and sequestration, as the Secretary determines  
10 to be appropriate.

11 (d) FUEL FROM CELLULOSIC BIOMASS.—

12 (1) IN GENERAL.—The Secretary shall provide  
13 deployment incentives under this subsection to en-  
14 courage a variety of projects to produce transpor-  
15 tation fuels from cellulosic biomass, relying on dif-  
16 ferent feedstocks in different regions of the United  
17 States.

18 (2) PROJECT ELIGIBILITY.—Incentives under  
19 this subsection shall be provided on a competitive  
20 basis to projects that produce fuels that—

21 (A) meet United States fuel and emissions  
22 specifications;

23 (B) help diversify domestic transportation  
24 energy supplies; and

1 (C) improve or maintain air, water, soil,  
2 and habitat quality.

3 (3) INCENTIVES.—Incentives under this sub-  
4 section may consist of—

5 (A) loan guarantees for the construction of  
6 production facilities and supporting infrastruc-  
7 ture; or

8 (B) production payments through a reverse  
9 auction in accordance with paragraph (4).

10 (4) REVERSE AUCTION.—

11 (A) IN GENERAL.—In providing incentives  
12 under this subsection, the Secretary shall—

13 (i) prescribe rules under which pro-  
14 ducers of fuel from cellulosic biomass may  
15 bid for production payments under para-  
16 graph (3)(B); and

17 (ii) solicit bids from producers of dif-  
18 ferent classes of transportation fuel, as the  
19 Secretary determines to be appropriate.

20 (B) REQUIREMENT.—The rules under sub-  
21 paragraph (A) shall require that incentives shall  
22 be provided to the producers that submit the  
23 lowest bid (in terms of cents per gallon) for  
24 each class of transportation fuel from which the  
25 Secretary solicits a bid.

1           (e) ADVANCED TECHNOLOGY VEHICLES MANUFAC-  
2   TURING INCENTIVE PROGRAM.—

3           (1) DEFINITIONS.—In this subsection:

4           (A) ADVANCED TECHNOLOGY VEHICLE.—  
5           The term “advanced technology vehicle” means  
6           a light duty motor vehicle that meets—

7                   (i) the Tier II Bin 5 emission stand-  
8                   ard established in rules prescribed by the  
9                   Administrator of the Environmental Pro-  
10                  tection Agency under section 202(i) of the  
11                  Clean Air Act (42 U.S.C. 7521(i)), or a  
12                  lower numbered Bin emission standard;

13                   (ii) any new emission standard for  
14                   fine particulate matter prescribed by the  
15                   Administrator under that Act; and

16                   (iii) at least 125 percent of the aver-  
17                   age base year combined fuel economy, cal-  
18                   culated on an energy-equivalent basis, for  
19                   vehicles of a substantially similar footprint.

20           (B) COMBINED FUEL ECONOMY.—The  
21           term “combined fuel economy” means—

22                   (i) the combined city-highway miles  
23                   per gallon values, as reported in accord-  
24                   ance with section 32908 of title 49, United  
25                   States Code; and

1                   (ii) in the case of an electric drive ve-  
2                   hicle with the ability to recharge from an  
3                   off-board source, the reported mileage, as  
4                   determined in a manner consistent with  
5                   the Society of Automotive Engineers rec-  
6                   ommended practice for that configuration,  
7                   or a similar practice recommended by the  
8                   Secretary, using a petroleum equivalence  
9                   factor for the off-board electricity (as de-  
10                  fined by the Secretary).

11                  (C) ENGINEERING INTEGRATION COSTS.—

12                  The term “engineering integration costs” in-  
13                  cludes the cost of engineering tasks relating  
14                  to—

15                   (i) incorporating qualifying compo-  
16                   nents into the design of advanced tech-  
17                   nology vehicles; and

18                   (ii) designing new tooling and equip-  
19                   ment for production facilities that produce  
20                   qualifying components or advanced tech-  
21                   nology vehicles.

22                  (D) QUALIFYING COMPONENT.—The term  
23                  “qualifying component” means a component  
24                  that the Secretary determines to be—



1 (i) specially designed for advanced  
2 technology vehicles; and

3 (ii) installed for the purpose of meet-  
4 ing the performance requirements of ad-  
5 vanced technology vehicles.

6 (2) MANUFACTURER FACILITY CONVERSION  
7 AWARDS.—The Secretary shall provide facility con-  
8 version funding awards under this subsection to  
9 automobile manufacturers and component suppliers  
10 to pay 30 percent of the cost of—

11 (A) re-equipping or expanding an existing  
12 manufacturing facility to produce—

13 (i) qualifying advanced technology ve-  
14 hicles; or

15 (ii) qualifying components; and

16 (B) engineering integration of qualifying  
17 vehicles and qualifying components.

18 (3) PERIOD OF AVAILABILITY.—

19 (A) IN GENERAL.—An award under para-  
20 graph (2) shall apply to—

21 (i) facilities and equipment placed in  
22 service after the date of enactment of this  
23 Act and before January 1, 2016; and

1                   (ii) engineering integration costs in-  
2                   curred after the date of enactment of this  
3                   Act.

4           (f) INTERNATIONAL TECHNOLOGY DEVELOPMENT.—

5               (1) FUNDING.—Beginning in fiscal year 2010,  
6               the Secretary of State shall, without further appro-  
7               priation or fiscal year limitation, use 20 percent of  
8               the funds deposited in the Energy Technology De-  
9               ployment Fund and any funds in the International  
10              Technology Deployment Fund from the sale of inter-  
11              national reserve allowances under section  
12              502(f)(4)(A), for purposes of carrying out an inter-  
13              national technology development program under this  
14              subsection.

15              (2) REPORT.—

16                   (A) IN GENERAL.—Not later than 1 year  
17                   after the date of enactment of this Act, the  
18                   President shall submit to Congress—

19                           (i) a report on a strategy for  
20                           leveraging funds available under this sub-  
21                           section to encourage the deployment of en-  
22                           ergy technology with low or no greenhouse  
23                           gas emissions in key developing countries;  
24                           and

1 (ii) legislative recommendations for  
2 carrying out the strategy.

3 (B) TARGETING.—

4 (i) IN GENERAL.—The report shall  
5 recommend targeted countries, priority  
6 technologies, and sectors.

7 (ii) PRIORITY.—Priority shall be given  
8 to countries that the President determines  
9 are making substantial efforts to reduce  
10 the greenhouse gas emissions of the coun-  
11 tries.

12 (C) GOALS.—The recommendations in the  
13 report shall be based on the dual goals of ex-  
14 port promotion and greenhouse gas reduction.

15 (D) COMPONENTS.—Components of the  
16 strategy described in the report may include—

17 (i) loan guarantees and other funding  
18 mechanisms;

19 (ii) cost sharing for demonstration  
20 projects;

21 (iii) information sharing and capacity  
22 building;

23 (iv) cooperative benchmarking efforts;

24 (v) joint research and development  
25 initiatives;

1 (vi) elimination of financing and mar-  
2 ket barriers; and

3 (vii) pursuing carbon reduction strate-  
4 gies that align with general development  
5 plans (such as using nuclear power, em-  
6 ploying efficiency or fuel switching to re-  
7 duce conventional pollution, or avoiding de-  
8 forestation).

9 (3) IMPLEMENTATION.—The program under  
10 this subsection, if the program is approved by Con-  
11 gress by law, shall be administered by the Secretary  
12 of State, in consultation with—

13 (A) the Secretary of Energy;

14 (B) the Secretary of Commerce;

15 (C) the Administrator of the United States  
16 Agency for International Development;

17 (D) the United States Trade Representa-  
18 tive; and

19 (E) the Administrator of the Environ-  
20 mental Protection Agency.

21 **SEC. 402. ADAPTATION PROGRAMS.**

22 (a) IN GENERAL.—

23 (1) AUCTION PROCEEDS.—All proceeds from  
24 auctions deposited into the Climate Adaptation  
25 Fund shall be made available, without further appro-

1        priation or fiscal year limitation, for the adaptation  
2        programs under this section.

3            (2) USES OF FUNDS.—Funds for adaptation  
4        shall be used as follows:

5            (A) 25 percent shall be used by the Presi-  
6        dent to address climate change impacts on  
7        coastal regions of the United States (other than  
8        regions for which funding is received under sub-  
9        paragraph (B)).

10          (B) 25 percent shall be to address climate  
11        change impacts on regions in the United States  
12        above 50 degrees North latitude, in accordance  
13        with a plan submitted by such a region to the  
14        President, with up to 5 percent of the funds for  
15        those regions made available for research on  
16        impacts of climate change on those regions.

17          (C) 20 percent shall be used by the Presi-  
18        dent to address climate change impacts on nat-  
19        ural resources in the contiguous United States  
20        (other than in areas described in subparagraphs  
21        (A) and (B)), with a priority given to—

22            (i) studies or research within the Cli-  
23        mate Change Science Program, including  
24        basic data acquisition and enhanced mod-  
25        eling systems, intended to better under-

1 stand and predict the impacts to water  
2 supply of global climate change;

3 (ii) research and development of new  
4 technologies to reclaim impaired and non-  
5 traditional water supplies, including desali-  
6 nation technologies; and

7 (iii) providing an appropriate Federal  
8 cost-share through existing Federal pro-  
9 grams to facilitate the planning, design,  
10 and construction of projects to conserve  
11 water or otherwise enhance water use effi-  
12 ciency, including facilities to reclaim and  
13 reuse wastewater.

14 (D) 30 percent shall be used for fish and  
15 wildlife conservation programs, with the total  
16 funding under this subparagraph divided as fol-  
17 lows:

18 (i) 18 percent shall be transferred to  
19 the subaccount of the Treasury known as  
20 the Wildlife Conservation and Restoration  
21 Account established by section 3(a)(2) of  
22 the Pittman-Robertson Wildlife Restora-  
23 tion Act (16 U.S.C. 669b(a)(2)) in accord-  
24 ance with subsection (b).

1                   (ii) 18 percent shall be made available  
2                   to States through the Federal aid to wild-  
3                   life restoration fund established under sec-  
4                   tion 3(a)(1) of the Pittman-Robertson  
5                   Wildlife Restoration Act (16 U.S.C.  
6                   669b(a)(1)) and the Dingell-Johnson  
7                   Sport Fish Restoration Act (commonly  
8                   known as the “Wallop-Breaux Act”) (16  
9                   U.S.C. 777 et seq.) in accordance with  
10                  subsection (c).

11                  (iii) 28 percent shall be available for  
12                  obligation or expenditure in accordance  
13                  with section 5 of the Land and Water Con-  
14                  servation Fund Act of 1965 (16 U.S.C.  
15                  460l-7) in accordance with subsection (d).

16                  (iv) 36 percent shall be transferred to  
17                  the Treasury subaccount described in sub-  
18                  section (e)(2) for the purposes specified in  
19                  subsection (e)(3).

20                  (3) DISTRIBUTION RULES.—The President shall  
21                  establish, by rule, a procedure to distribute the ad-  
22                  aptation assistance available for each calendar year  
23                  under subparagraphs (A) and (C) of paragraph (2).

24                  (4) USE OF FUNDS.—Adaptation assistance  
25                  available for each calendar year under subpara-

1       graphs (A) and (B) of paragraph (2) shall be used  
2       only for—

3               (A) coastal and estuarine land protection;

4               (B) mitigation, restoration, protection, and  
5       relocation of threatened coastal communities;

6               (C) coastal damage prevention and restora-  
7       tion, including infrastructure replacement and  
8       construction;

9               (D) research and deployment of tech-  
10      nologies designed to address climate impacts; or

11              (E) construction of energy or transpor-  
12      tation infrastructure capable of reducing carbon  
13      emissions.

14      (5) REPORT.—

15              (A) IN GENERAL.—Not later than Sep-  
16      tember 30, 2008, and annually thereafter, a  
17      State receiving adaptation assistance under this  
18      subsection shall submit to the appropriate con-  
19      gressional committees, the Department of Com-  
20      merce, Department of the Interior, Environ-  
21      mental Protection Agency, and the Council on  
22      Environmental Quality a report that describes  
23      actions taken to carry out this subsection.

24              (B) CONTENT.—The report shall include—



- 1 (i) the amount of obligations and ex-  
2 penditures to carry out this subsection;  
3 (ii) a list of research questions and  
4 the results of research undertaken; and  
5 (iii) a description of any project un-  
6 dertaken with the use of funds under this  
7 subsection.

8 (b) STATE WILDLIFE PLANS.—

9 (1) IN GENERAL.—Funds made available under  
10 subsection (a)(2)(D)(i) shall be used by States to  
11 improve the ability of fish and wildlife to survive the  
12 effects of climate change by—

13 (A) developing assessment information,  
14 conducting research, and undertaking moni-  
15 toring of fish and wildlife and the habitat of  
16 fish and wildlife;

17 (B) developing and undertaking projects to  
18 manage, conserve, and restore individual species  
19 of fish and wildlife and populations; and

20 (C) implementing actions to manage, con-  
21 serve, and restore fish and wildlife habitat.

22 (2) INTEGRATING CLIMATE CHANGE CONSIDER-  
23 ATIONS INTO STATE COMPREHENSIVE WILDLIFE  
24 CONSERVATION STRATEGIES.—Effective beginning  
25 on the date of enactment of this Act, each State

1 shall account for anticipated changes in climate and  
2 anticipated changes in the natural environment in  
3 any revisions and updates to the comprehensive wild-  
4 life conservation strategy required by section  
5 4(d)(1)(D) of the Pittman-Robertson Wildlife Res-  
6 toration Act (16 U.S.C. 669c(d)(1)(D)) undertaken  
7 after the date of enactment of this Act.

8 (3) STATE MATCHING REQUIREMENT.—Not-  
9 withstanding any other provision of law, the State  
10 matching requirement for use of funds made avail-  
11 able under subsection (a)(2)(D)(i) shall be 10 per-  
12 cent of the cost of the projects carried out under  
13 this subsection.

14 (c) STATE WILDLIFE CONSERVATION PROGRAMS.—

15 (1) IN GENERAL.—Funds made available under  
16 subsection (a)(2)(D)(ii) shall be used by States to  
17 improve the ability of game and other species of fish  
18 and wildlife to survive the effects of climate change  
19 by—

20 (A) developing assessment information,  
21 conducting research, and undertaking moni-  
22 toring of game and other species of fish and  
23 wildlife and the habitat of the game and other  
24 species of fish and wildlife;

1           (B) developing and undertaking projects to  
2           manage, conserve, and restore individual game  
3           and other species of fish and wildlife and popu-  
4           lations; and

5           (C) implementing actions to manage, con-  
6           serve, and restore fish and wildlife habitat.

7           (2) COORDINATING GAME SPECIES CLIMATE  
8           CHANGE CONSERVATION EFFORTS WITH STATE COM-  
9           PREHENSIVE WILDLIFE CONSERVATION STRATE-  
10          GIES.—A State shall coordinate, to the maximum ex-  
11          tent practicable, the efforts of the State under this  
12          section to conserve game species in light of climate  
13          change impacts on the natural environment with  
14          work carried out under the comprehensive wildlife  
15          conservation strategy of the State required under  
16          section 4(d)(1)(D) of the Pittman-Robertson Wildlife  
17          Restoration Act (16 U.S.C. 669c(d)(1)(D)).

18          (3) MATCHING REQUIREMENT.—Notwith-  
19          standing any other provision of law, the State  
20          matching requirement for use of funds made avail-  
21          able under subsection (a)(2)(D)(ii) shall be 10 per-  
22          cent of the cost of the projects carried out under  
23          this subsection.

24          (4) SAVINGS CLAUSE.—Nothing in this Act di-  
25          minishes or affects the authorization by Congress to

1 appropriate funds to carry out the purposes of the  
2 Pittman-Robertson Wildlife Restoration Act (16  
3 U.S.C. 669 et seq.) and the Dingell-Johnson Sport  
4 Fish Restoration Act (commonly known as the  
5 “Wallop-Breaux Act”) (16 U.S.C. 777 et seq.).

6 (d) LAND AND WATER CONSERVATION FUND.—

7 (1) IN GENERAL.—Funds made available under  
8 subsection (a)(2)(D)(iii) shall—

9 (A) be available without further appropria-  
10 tion;

11 (B) remain available until expended; and

12 (C) be in addition to any other funds made  
13 available from the land and water conservation  
14 fund established under section 2 of the Land  
15 and Water Conservation Fund Act of 1965 (16  
16 U.S.C. 460l–5).

17 (2) ALLOCATION OF FUNDS.—Of funds made  
18 available under subsection (a)(2)(D)(iii)—

19 (A) 50 percent shall be used for Federal  
20 land acquisition purposes as provided in section  
21 7 of the Land and Water Conservation Fund  
22 Act of 1965 (16 U.S.C. 460l–9); and

23 (B) 50 percent shall be used for financial  
24 assistance to States as provided in section 6 of

1 the Land and Water Conservation Fund Act of  
2 1965 (16 U.S.C. 460~~l~~-8).

3 (3) FEDERAL LAND ACQUISITION PROJECTS.—

4 (A) PRIORITY LIST.—The President shall  
5 transmit, as part of the annual budget pro-  
6 posal, a priority list for Federal land acquisition  
7 projects to be funded under this section.

8 (B) AVAILABILITY.—Funds for Federal  
9 land acquisition provided under paragraph (2)  
10 shall be made available, without further appro-  
11 priation, 15 days after the date Congress ad-  
12 journs sine die for each year, for the projects  
13 identified on the priority list of the President,  
14 unless prior to that date, legislation is enacted  
15 establishing a different priority list.

16 (C) SITES UNDER JURISDICTION OF SEC-  
17 RETARY OF THE INTERIOR AND SECRETARY OF  
18 AGRICULTURE.—

19 (i) IN GENERAL.—In developing the  
20 annual land acquisition priority list, the  
21 President shall require the Secretary of the  
22 Interior and the Secretary of Agriculture  
23 to develop the priority list for the sites  
24 under the jurisdiction of each Secretary.

1 (ii) CONSULTATION.—The Secretaries  
2 shall prepare the lists in consultation with  
3 the head of each affected bureau or agen-  
4 cy, taking into account the best profes-  
5 sional judgment regarding the land acqui-  
6 sition priorities and policies of each bureau  
7 or agency.

8 (D) AREAS.—Acquisition of land or inter-  
9 ests in land under this section shall be limited  
10 to acquisitions within the external boundaries  
11 of—

12 (i) a unit of the National Park Sys-  
13 tem;

14 (ii) a unit of the National Wildlife  
15 Refuge System;

16 (iii) a federally administered compo-  
17 nent of the National Wild and Scenic Riv-  
18 ers System;

19 (iv) a component of the National  
20 Trails System;

21 (v) a component of the National Wil-  
22 derness Preservation System;

23 (vi) a National Monument;

24 (vii) any part of the National Land-  
25 scape Conservation System established by

1 Congress or if the boundary has been ap-  
2 proved by Congress;

3 (viii) a National Conservation Area; or

4 (ix) a National Recreation Area ad-  
5 ministered by the Secretary of Agriculture.

6 (e) NATIONAL CLIMATE CHANGE CONSERVATION  
7 WILDLIFE STRATEGY.—

8 (1) DEVELOPMENT OF STRATEGY.—

9 (A) IN GENERAL.—Not later than 2 years  
10 of the date of enactment of this Act, the Sec-  
11 retary of the Interior, in consultation and co-  
12 ordination with the Secretaries of Agriculture  
13 and Commerce, the National Research Council  
14 Science Advisory Board, State fish and wildlife  
15 agencies, Indian tribes, conservation organiza-  
16 tions, and the public, shall develop a National  
17 Climate Change Conservation Wildlife Strategy.

18 (B) CONTENTS.—The strategy shall—

19 (i) be updated at least once every 5  
20 years;

21 (ii) be based on the best available  
22 science, as identified by the Science Advi-  
23 sory Board of the National Research  
24 Council;

1 (iii) identify roles and actions for each  
2 participating Federal agency and how that  
3 strategy will work to complement State ef-  
4 forts, including coordination with State  
5 Comprehensive Wildlife Conservation  
6 Strategies and other wildlife conservation  
7 plans;

8 (iv) identify and provide for moni-  
9 toring of all fish and wildlife populations  
10 affected by climate change, including game  
11 and nongame species, habitat at risk, and  
12 wildlife mitigation strategies;

13 (v) establish priorities for the con-  
14 servation of game and nongame fish and  
15 wildlife, based on which actions will have  
16 the greatest long-term benefit to the spe-  
17 cies and the ecosystem, considering the  
18 likely effects of climate change, including  
19 sea level rise and coastal inundation, and  
20 shifts in local and regional climate regimes;

21 (vi) provide for the national climate  
22 change and wildlife science centers of the  
23 United States Geological Survey to re-  
24 search impacts on wildlife and mechanisms



1 for adaptation, and to support Federal  
2 land management agencies;

3 (vii) be implemented on Federal land  
4 and on private land through Department  
5 of Agriculture land conservation programs;  
6 and

7 (viii) be implemented through existing  
8 Federal wildlife programs.

9 (2) WILDLIFE CONSERVATION TREASURY SUB-  
10 ACCOUNT.—

11 (A) ESTABLISHMENT.—There is estab-  
12 lished a Climate Change Wildlife Conservation  
13 subaccount in the Treasury to receive transfers  
14 of adaptation funds under subsection  
15 (a)(2)(D)(iv).

16 (B) USE.—The Secretary of the Interior  
17 shall have exclusive use of the funds in the  
18 Wildlife Conservation subaccount for the pur-  
19 poses specified in paragraph (3).

20 (3) IMPLEMENTATION OF THE CLIMATE  
21 CHANGE WILDLIFE CONSERVATION STRATEGY.—The  
22 Secretary of the Interior shall use funds in the Cli-  
23 mate Change Wildlife Conservation subaccount as  
24 follows:



1 (III) implementation of a migra-  
2 tory bird climate change-related strat-  
3 egy;

4 (ii) 26 percent to the Secretary of Ag-  
5 riculture—

6 (I) for implementation of the cli-  
7 mate change mitigation strategy of  
8 the Secretary on National Forest  
9 land; and

10 (II) to supplement funding for  
11 private land conservation programs;

12 (iii) 26 percent to the Secretary of the  
13 Interior for implementation of the climate  
14 mitigation strategy of the Secretary—

15 (I) on Bureau of Land Manage-  
16 ment land;

17 (II) in units of the National  
18 Wildlife Refuge System;

19 (III) in units of the National  
20 Park System; and

21 (IV) in areas to improve fish pas-  
22 sage and dam removal.

23 (iv) 10 percent to the Secretary of the  
24 Interior for—

1 (I) the National Fish Habitat  
2 Plan;

3 (II) endangered species program  
4 of the Fish and Wildlife Services; and

5 (III) multinational species con-  
6 servation funds.

7 (v) 10 percent to the Secretary of  
8 Commerce for conservation programs of  
9 the National Marine Fisheries Service for  
10 programs to—

11 (I) sustain fisheries;

12 (II) protect marine species; and

13 (III) conserve marine habitat.

14 **SEC. 403. ASSISTANCE PROGRAMS.**

15 (a) AUCTION PROCEEDS.—In addition to any other  
16 amounts that are made available for the programs, all pro-  
17 ceeds from auctions deposited into the Energy Assistance  
18 Fund shall be made available, without further appropria-  
19 tion or fiscal year limitation, to the following programs  
20 in the following ratios:

21 (1)  $\frac{1}{2}$  of the funds to the low-income home en-  
22 ergy assistance program established under the Low-  
23 Income Home Energy Assistance Act of 1981 (42  
24 U.S.C. 8621 et seq.);

1           (2) ¼ of the funds to the Weatherization As-  
2           sistance Program for Low-Income Persons estab-  
3           lished under part A of title IV of the Energy Con-  
4           servation and Production Act (42 U.S.C. 6861 et  
5           seq.); and

6           (3) ¼ of the funds to the rural energy assist-  
7           ance program established under subsection (b).

8           (b) RURAL ENERGY ASSISTANCE PROGRAM.—The  
9           Secretary shall use funds made available under subsection  
10          (a)(3) to provide financial assistance to promote the avail-  
11          ability of reasonably priced electricity in off-grid rural re-  
12          gions in which electricity prices exceed 150 percent of the  
13          national average.

14       **TITLE V—PERIODIC REVIEW**  
15       **AND INTERNATIONAL LEAD-**  
16       **ERSHIP**

17       **SEC. 501. EXECUTIVE BRANCH AND CONGRESSIONAL RE-**  
18       **VIEW OF PROGRAM..**

19       (a) INTERAGENCY REVIEW.—

20           (1) IN GENERAL.—Not later than January 1,  
21           2013, the President shall establish an interagency  
22           group—

23                   (A) to conduct the annual review described  
24                   in section 502(d) regarding comparable action  
25                   by foreign countries;

1 (B) not later than January 1, 2014, to  
2 make any recommendations with respect to for-  
3 eign credits and international offset projects  
4 under subsections (d) and (e); and

5 (C) to conduct 5-year reviews under para-  
6 graph (2).

7 (2) 5-YEAR REVIEW.—

8 (A) IN GENERAL.—Not later than January  
9 1, 2016, and every 5 years thereafter, the inter-  
10 agency group shall submit to the President the  
11 results of the applicable review conducted under  
12 paragraph (1)(C).

13 (B) REQUIRED CONTENTS.—Each 5-year  
14 review shall include—

15 (i) an analysis of whether each of the  
16 5 largest trading partners of the United  
17 States, as of the date on which the review  
18 is conducted, has taken comparable action  
19 (as defined in section 502(a));

20 (ii) an analysis of whether the pro-  
21 grams established under this Act have con-  
22 tributed to an increase in electricity im-  
23 ports from Canada or Mexico;

24 (iii) an analysis of the status of the  
25 best available science and the status of

1 technologies to reduce, sequester, or avoid  
2 greenhouse gas emissions based on reports  
3 provided by the National Academy of  
4 Sciences under paragraph (3); and

5 (iv) an analysis of the energy security  
6 implications of this Act, including the im-  
7 pact on fuel diversity, energy infrastruc-  
8 ture, and other relevant factors.

9 (C) PERMITTED CONTENTS.—Each 5-year  
10 review may include an analysis of—

11 (i) the feasibility of regulating owners  
12 or operators of entities that—

13 (I) emit nonfuel-related green-  
14 house gases; and

15 (II) that are not subject to this  
16 Act;

17 (ii) whether the percentage of allow-  
18 ances for any calendar year that are auc-  
19 tioned, allocated, or devoted to other pur-  
20 poses under title II should be modified;

21 (iii) whether regulated entities should  
22 be allowed to submit credits issued under  
23 foreign greenhouse gas regulatory pro-  
24 grams in lieu of allowances under section  
25 102;

1 (iv) whether the President should dis-  
2 tribute credits for offset projects carried  
3 out outside the United States that do not  
4 receive credit under a foreign greenhouse  
5 gas program;

6 (v) whether and how the value of al-  
7 lowances or credits banked for use during  
8 a future calendar year should be dis-  
9 counted if the TAP price increases or the  
10 elimination of the TAP provision are rec-  
11 ommended under subsection (b)(2)(C)(ii);  
12 and

13 (vi) such other issues as the President  
14 may direct.

15 (3) NATIONAL ACADEMY OF SCIENCES RE-  
16 PORTS.—As soon as practicable after the date of en-  
17 actment of this Act, the President shall offer to  
18 enter into an agreement with the National Academy  
19 of Sciences to develop periodic and timely reports on  
20 the status of the best available science and the sta-  
21 tus of technologies to reduce, sequester, or avoid  
22 greenhouse gas emissions.

23 (4) STUDY OF ENERGY SECURITY IMPLICATIONS  
24 OF GREENHOUSE GAS PROGRAM.—Before making



1 any recommendations under subsection (b), the  
2 President shall—

3 (A) conduct a comprehensive study of the  
4 energy security implications of the greenhouse  
5 gas program established under this Act, includ-  
6 ing a study of the impact of the program on  
7 fuel diversity, energy infrastructure, and other  
8 relevant factors; and

9 (B) submit to Congress a report on the re-  
10 sults of the study.

11 (b) PRESIDENTIAL RECOMMENDATIONS TO CON-  
12 GRESS.—

13 (1) RECOMMENDATIONS TO ACHIEVE LONG-  
14 TERM EMISSION REDUCTIONS.—If the President de-  
15 termines (based on the interagency review conducted  
16 under subsection (a)(1)(C)) that the 5 largest trad-  
17 ing partners of the United States are taking com-  
18 parable actions (as defined in section 502(a)) with  
19 respect to greenhouse gas emissions, based on con-  
20 sideration of the best available science and tech-  
21 nology information provided under subsection (a)(3),  
22 the President shall submit to Congress (in accord-  
23 ance with paragraph (2)) a report that recommends  
24 such changes to the quantity of greenhouse gas al-

1 lowances to be issued in future allocation periods as  
2 the President determines are necessary—

3 (A) to ensure that the United States is un-  
4 dertaking an equitable share of the responsi-  
5 bility for reducing atmospheric greenhouse gas  
6 concentrations; and

7 (B) to reasonably lead the United States to  
8 reduce the annual emissions of the United  
9 States to levels that are at least 60 percent  
10 below 2006 levels by 2050 or to levels con-  
11 sistent with the most recent assessments of the  
12 National Academy of Sciences.

13 (2) REPORTS TO CONGRESS.—

14 (A) 5-YEAR REVIEW REPORT.—

15 (i) IN GENERAL.—During the period  
16 beginning April 15, 2017, and ending May  
17 31, 2017, and every 5 years thereafter, the  
18 President shall submit to Congress a re-  
19 port describing any recommendation of the  
20 President with respect to amendments to  
21 this Act.

22 (ii) RECOMMENDATIONS.—The rec-  
23 ommendations of each report shall take  
24 into account—

1 (I) the results of the review con-  
2 ducted under subsection (a)(1)(C);  
3 and

4 (II) any determinations made  
5 under paragraph (1).

6 (B) OTHER REPORTS.—During the period  
7 beginning on April 15 and ending on May 31  
8 of any calendar year, the President may submit  
9 to Congress a report describing any rec-  
10 ommendation of the President with respect to  
11 amendments to this Act.

12 (C) AREAS.—In any report submitted  
13 under subparagraph (A) or (B), the President  
14 shall make recommendations with respect to  
15 whether, and the extent to which—

16 (i) the quantity of greenhouse gas al-  
17 lowances issued for future allocation peri-  
18 ods under section 101 should be reduced;  
19 and

20 (ii) the TAP prices under section  
21 102(d) for future calendar years should be  
22 increased or the TAP mechanism should be  
23 eliminated.

24 (3) REPORT TO CONGRESS ON ADDITIONAL  
25 MEASURES.—If, in any calendar year, TAPs made in

1        lieu of allowance submissions under section 102 are  
2        substantial, not later than April 30 of the following  
3        calendar year, the President shall submit to Con-  
4        gress a report describing the additional actions the  
5        President is taking, and the recommendations the  
6        President has for additional congressional action, to  
7        ensure that TAPs in future years will not interfere  
8        with achieving the principal purposes of this Act  
9        over the long term.

10        (c) EXPEDITED CONGRESSIONAL ACTION ON CER-  
11 TAIN PRESIDENTIAL RECOMMENDATIONS.—

12            (1) CONSIDERATION.—Not later than Sep-  
13        tember 30 of any calendar year during which a re-  
14        port is submitted under subsection (b)(2), the Sen-  
15        ate and the House of Representatives may consider  
16        a joint resolution, in accordance with paragraph (2),  
17        that—

18            (A) amends section 101 to decrease the  
19        number of allowances to be issued, if and to the  
20        extent specifically recommended by the Presi-  
21        dent pursuant to subsection (b)(2); or

22            (B) amends section 102(d) to increase the  
23        TAP price, or to eliminate the TAP mechanism,  
24        if and to the extent specifically recommended by  
25        the President pursuant to subsection (b)(2).

1           (2) REQUIREMENTS.—A joint resolution consid-  
2           ered under paragraph (1) shall—

3                   (A) be introduced during the 45-day period  
4                   beginning on the date on which a report is sub-  
5                   mitted under subsection (b); and

6                   (B) after the resolving clause and “That”,  
7                   contain only 1 or more of the following:

8                           “(i)           Effective           beginning  
9                           \_\_\_\_\_, the table in section  
10                          101 of the Low Carbon Economy Act of  
11                          2007 is amended \_\_\_\_\_.”;

12                           “(ii)           Effective           beginning  
13                           \_\_\_\_\_, section 102(d) of the  
14                          Low Carbon Economy Act of 2007 is  
15                          amended \_\_\_\_\_.”; or

16                           “(iii)           Effective           beginning  
17                           \_\_\_\_\_, no TAP may be ac-  
18                          cepted by the President in lieu of an allow-  
19                          ance under section 102 of the Low Carbon  
20                          Economy Act of 2007.”;

21                   the blanks being filled in with the effective  
22                   dates, reductions in the quantity of greenhouse  
23                   gas allowances to be issued, or increases in the  
24                   TAP price that were specifically recommended  
25                   by the President under subsection (b)(2).

1           (3) APPLICABLE LAW.—Subsections (b)  
2 through (g) of section 802 of title 5, United States  
3 Code, shall apply to any joint resolution under this  
4 subsection.

5 (d) FOREIGN CREDITS.—

6           (1) RULES.—After taking into consideration  
7 the initial interagency review under subsection  
8 (a)(1)(B), the President may promulgate rules that  
9 authorize regulated entities to submit credits issued  
10 under foreign greenhouse gas regulatory programs  
11 in lieu of allowances under section 102.

12           (2) COMPARABLE PROGRAMS.—Rules promul-  
13 gated by the President under paragraph (1) shall  
14 ensure that foreign credits submitted in lieu of al-  
15 lowances are from foreign greenhouse gas regulatory  
16 programs that the President determines to have a  
17 level of environmental integrity that is not less than  
18 the level of environmental integrity of the programs  
19 under this Act.

20 (e) INTERNATIONAL OFFSET PROJECT CREDITS.—

21           (1) ACTION BY THE PRESIDENT.—After taking  
22 into consideration the results of the interagency re-  
23 view under subsection (a)(1)(B), the President may  
24 promulgate rules establishing a program under  
25 which the President distributes credits for the green-

1 house gas mitigation benefits of offset projects out-  
2 side the United States that—

3 (A) meet the requirements of section  
4 601(c); and

5 (B) maintain the environment integrity of  
6 the program under this Act.

7 (2) STREAMLINED PROCEDURES.—Rules pro-  
8 mulgated by the President under paragraph (1) shall  
9 have streamlined procedures for distributing credits  
10 for the greenhouse gas emission mitigation benefits  
11 of projects for which the President determines there  
12 are broadly accepted standards or methodologies for  
13 quantifying and verifying those benefits.

14 (f) LIMIT ON INTERNATIONAL CREDITS.—Rules pro-  
15 mulgated by the President under subsection (d) or (e)  
16 shall ensure that—

17 (1) foreign credits or greenhouse gas mitigation  
18 benefits of international offset projects have not  
19 been and cannot be used in the future for compli-  
20 ance purposes under any foreign greenhouse gas reg-  
21 ulatory program; and

22 (2) a regulated entity does not use international  
23 offset project credits to meet more than 10 percent  
24 of the compliance obligations of the regulated entity  
25 under this Act.

1 **SEC. 502. INTERNATIONAL RESERVE ALLOWANCE RE-**  
2 **QUIREMENT.**

3 (a) DEFINITIONS.—In this section:

4 (1) BASELINE EMISSIONS LEVELS.—The term  
5 “baseline emissions levels” means the historic green-  
6 house gas emissions attributed to a category of cov-  
7 ered goods of a specific covered foreign country, as  
8 determined under subsection (e)(2).

9 (2) COMPARABLE ACTION.—The term “com-  
10 parable action” means greenhouse gas regulatory  
11 programs, requirements, and other measures adopt-  
12 ed by a foreign country that are determined by the  
13 President to be, in combination, comparable in effect  
14 to the action taken by the United States to limit  
15 greenhouse gas emissions pursuant to this Act, after  
16 taking into account the level of economic develop-  
17 ment of the foreign country.

18 (3) COMPLIANCE YEAR.—The term “compliance  
19 year” means each calendar year for which the inter-  
20 national reserve allowance requirements of sub-  
21 section (f) apply to a category of covered goods of  
22 a covered foreign country that is imported into the  
23 United States.

24 (4) COVERED FOREIGN COUNTRY.—The term  
25 “covered foreign country” means a foreign country



1 that is included on the covered list prepared under  
2 subsection (f)(3)(B)(ii).

3 (5) COVERED GOOD.—The term “covered good”  
4 means each good that the President identifies, by  
5 rule, as a greenhouse gas intensive good that is  
6 closely related to goods, the cost of production of  
7 which in the United States is affected by this Act.

8 (6) FOREIGN COUNTRY.—The term “foreign  
9 country” means a Member of, or observer govern-  
10 ment to, the World Trade Organization, other than  
11 the United States.

12 (7) GOOD OF A COVERED FOREIGN COUNTRY.—  
13 The term “good of a covered foreign country” means  
14 a good originating in a specific covered foreign coun-  
15 try, as determined in accordance with rules of origin  
16 generally used by the United States.

17 (8) GREENHOUSE GAS INTENSIVE GOOD.—The  
18 term “greenhouse gas intensive good” means a good  
19 that—

20 (A) is a primary product; and

21 (B) generates, in the course of the manu-  
22 facture of the good, a substantial quantity of  
23 direct and indirect greenhouse gas emissions.

24 (9) INDIRECT GREENHOUSE GAS EMISSIONS.—  
25 The term “indirect greenhouse gas emissions”

1 means greenhouse gases emitted from the generation  
2 of electricity that is consumed during the manufac-  
3 ture of a good.

4 (10) INTERNATIONAL AGREEMENT.—The term  
5 “international agreement” means any international  
6 agreement to which the United States is a party, in-  
7 cluding the Marrakesh agreement establishing the  
8 World Trade Organization (WTO), done at Marra-  
9 kesh on April 15, 1994.

10 (11) INTERNATIONAL RESERVE ALLOWANCE.—  
11 The term “international reserve allowance” means  
12 an allowance (denominated in units of metric tons of  
13 carbon dioxide equivalent) that is—

14 (A) purchased from a special reserve of al-  
15 lowances pursuant to subsection (f)(4)(A); and

16 (B) used for purposes of meeting the im-  
17 port allowance requirements of subsection (f).

18 (12) PRIMARY PRODUCT.—The term “primary  
19 product” means—

20 (A) iron, steel, aluminum, cement, bulk  
21 glass, or paper; or

22 (B) any other manufactured product  
23 that—

24 (i) is sold in bulk for purposes of fur-  
25 ther manufacture; and

1                   (ii) generates, in the course of the  
2                   manufacture of the product, direct and in-  
3                   direct greenhouse gas emissions that are  
4                   comparable (on an emissions per dollar  
5                   basis) to emissions generated in the manu-  
6                   facture of products described in subpara-  
7                   graph (A).

8           (b) PURPOSES.—The purposes of this section are—

9                   (1) to ensure that greenhouse gas emissions oc-  
10                  curring outside the United States do not undermine  
11                  the objectives of the United States to address global  
12                  climate change (as described in section 2(1)); and

13                  (2) to encourage effective international action  
14                  to achieve those objectives through—

15                         (A) procedures negotiated between the  
16                         United States and other countries; or

17                         (B) measures taken by the United States  
18                         that comply with applicable international agree-  
19                         ments.

20           (c) INTERNATIONAL NEGOTIATIONS.—

21                   (1) FINDING.—Congress finds that the pur-  
22                  poses described in subsection (b) can be most effec-  
23                  tively addressed and achieved through procedures  
24                  negotiated between the United States and other  
25                  countries.

1           (2) NEGOTIATING OBJECTIVE.—To the extent  
2           that the procedures described in paragraph (1) in-  
3           volve measures affecting international trade in goods  
4           or services, the climate change negotiating objective  
5           of the United States shall be to conclude multilateral  
6           or bilateral agreements on the reduction of green-  
7           house gas emissions that will help to achieve the  
8           purposes described in subsection (b).

9           (d) INTERAGENCY REVIEW.—

10           (1) IN GENERAL.—The interagency group es-  
11           tablished under section 501(a)(1) shall determine  
12           whether, and the extent to which, each foreign coun-  
13           try has taken comparable action to limit the green-  
14           house gas emissions of the foreign country.

15           (2) REPORT TO THE PRESIDENT.—Not later  
16           than January 1, 2018, and every year thereafter,  
17           the interagency group shall report the findings of  
18           the group to the President relating to the review  
19           under paragraph (1).

20           (3) EXCLUSION OF CERTAIN COUNTRIES.—The  
21           interagency group may exclude from review and re-  
22           port to the President those foreign countries that  
23           are identified in clauses (ii) and (iii) of subsection  
24           (f)(3)A).

25           (e) PRESIDENTIAL DETERMINATIONS.—

1 (1) COMPARABLE ACTION.—

2 (A) IN GENERAL.—Not later than January  
3 1, 2019, and every year thereafter, the Presi-  
4 dent shall determine whether or not each for-  
5 eign country that is subject to the interagency  
6 review under subsection (d) has taken com-  
7 parable action to limit the greenhouse gas emis-  
8 sions of the foreign country.

9 (B) PUBLICATION.—The President shall—

10 (i) report to Congress the determina-  
11 tions of the President under subparagraph  
12 (A); and

13 (ii) publish the determinations in the  
14 Federal Register.

15 (2) BASELINE EMISSION LEVELS.—

16 (A) IN GENERAL.—The President shall de-  
17 termine baseline emissions levels under this sec-  
18 tion by determining the total annual average  
19 greenhouse gas emissions attributed to each  
20 category of covered goods of a covered foreign  
21 country during the 3-year period consisting of  
22 calendar years 2012 through 2014, based on  
23 the emissions, production, and other relevant  
24 data that are available for that 3-year period.

1           (B) OTHER FACTORS.—To the extent nec-  
2           essary, the President may also use economic  
3           and engineering models and the best available  
4           information on technology performance levels  
5           for the manufacture of specific categories of  
6           covered goods in order to establish representa-  
7           tive baseline emissions levels for a specific cat-  
8           egory of covered goods of a covered foreign  
9           country.

10       (f) INTERNATIONAL RESERVE ALLOWANCE RE-  
11       QUIREMENTS.—

12           (1) IN GENERAL.—

13           (A) REQUIREMENT FOR DECLARATION.—  
14           Effective beginning January 1, 2020, a United  
15           States importer of covered goods shall be re-  
16           quired, as a condition of importation or with-  
17           drawal for consumption from a warehouse, to  
18           make a written declaration with respect to each  
19           entry of imported covered goods.

20           (B) CONTENTS.—The declaration shall  
21           provide that—

22                   (i) the goods subject to the entry are  
23                   accompanied by a sufficient number of  
24                   international reserve allowances, as deter-  
25                   mined under paragraph (6); or

1                   (ii) the goods are not subject to the  
2                   requirement to submit international re-  
3                   serve allowances pursuant to the exclusion  
4                   that is provided under paragraph (3).

5                   (2) CONSEQUENCES OF FAILURE TO MAKE DEC-  
6                   LARATION.—An imported covered good that is not  
7                   accompanied by a written declaration pursuant to  
8                   paragraph (1) shall not be permitted to enter the  
9                   customs territory of the United States.

10                  (3) EXCLUSION FOR CERTAIN IMPORTS.—

11                  (A) DETERMINATION.—The requirement  
12                  set forth in paragraph (1)(B)(i) shall not apply  
13                  to the covered goods of any foreign country if  
14                  the President determines that—

15                         (i) the foreign country has taken com-  
16                         parable action to limit the greenhouse gas  
17                         emissions of the foreign country, as pro-  
18                         vided under subsection (e)(1);

19                         (ii) the United Nations has identified  
20                         the foreign country as among the least-de-  
21                         veloped developing countries; or

22                         (iii) the share of the foreign country  
23                         of total global greenhouse gas emissions is  
24                         below a de minimis percentage described in  
25                         subparagraph (C).

1 (B) COUNTRY LISTS.—Not later than Jan-  
2 uary 1, 2020, and every year thereafter, the  
3 President shall develop and publish in the Fed-  
4 eral Register the following 2 lists of foreign  
5 countries:

6 (i) EXCLUDED LIST.—In the excluded  
7 list, the President shall identify those for-  
8 eign countries the covered goods of which  
9 the President has determined under sub-  
10 paragraph (A) are not subject to the inter-  
11 national reserve allowance requirements of  
12 this subsection.

13 (ii) COVERED LIST.—

14 (I) IN GENERAL.—In the covered  
15 list, the President shall identify those  
16 foreign countries the covered goods of  
17 which are subject to the international  
18 reserve allowance requirements of this  
19 subsection.

20 (II) CONTENT.—The list shall  
21 consist of the names of those foreign  
22 countries that are not included on the  
23 excluded list prepared under clause  
24 (i).

25 (C) DE MINIMIS THRESHOLD.—



1 (i) IN GENERAL.—For purposes of  
2 this paragraph, a de minimis percentage  
3 shall not be greater than 0.5 percent of  
4 total global greenhouse gas emissions, as  
5 determined by the President, for the most  
6 recent calendar year for which emissions  
7 and other relevant data is available.

8 (ii) DEFORESTATION RATE.—To the  
9 extent that the President determines to be  
10 necessary to achieve the purposes of this  
11 section, the President may consider the an-  
12 nual average deforestation rate of a devel-  
13 oping country during a representative pe-  
14 riod in determining that the share of the  
15 country of total global greenhouse gas  
16 emissions.

17 (4) SOURCE OF ALLOWANCES.—

18 (A) INTERNATIONAL RESERVE ALLOW-  
19 ANCES.—

20 (i) IN GENERAL.—A United States  
21 importer may meet the obligations of the  
22 importer under this subsection by submit-  
23 ting international reserve allowances that  
24 are issued in accordance with this subpara-  
25 graph.

1 (ii) OFFER FOR SALE.—

2 (I) IN GENERAL.—During the 1-  
3 year period ending on January 1 of  
4 the first calendar year for which com-  
5 pliance with this Act is required, the  
6 President shall offer for sale inter-  
7 national reserve allowances.

8 (II) SOURCE.—The international  
9 reserve allowances shall be issued  
10 from a special reserve of allowances  
11 that are separate from, and in addi-  
12 tion to, the allowances issued under  
13 section 201(b).

14 (iii) PRICE.—

15 (I) IN GENERAL.—Subject to  
16 subclause (II), the President shall de-  
17 termine, by rule, the methodology for  
18 setting the price of international re-  
19 serve allowances for each compliance  
20 year at a level that does not exceed  
21 the market price of allowances issued  
22 under section 201(b) for the same  
23 year.

1 (II) MAXIMUM PRICE.—The price  
2 for international reserve allowances  
3 shall not exceed—

4 (aa) the TAP price (as de-  
5 termined under section 102(d));  
6 or

7 (bb) the clearing price for  
8 current year allowances estab-  
9 lished in the most recent auction  
10 of allowances by the President  
11 under section 208.

12 (iv) SERIAL NUMBER.—The President  
13 shall assign a unique serial number to each  
14 international reserve allowance issued  
15 under this subparagraph.

16 (v) TRADING SYSTEM.—The President  
17 may establish, by rule, a trading system  
18 for the sale, exchange, purchase, transfer,  
19 and banking of international reserve allow-  
20 ances.

21 (vi) REGULATED ENTITIES.—Inter-  
22 national reserve allowances may not be  
23 submitted by regulated entities to comply  
24 with the allowance submission require-  
25 ments of section 102.

1 (vii) PROCEEDS.—All proceeds from  
2 the sale of international reserve allowances  
3 under this subparagraph shall be—

4 (I) deposited into a special fund  
5 in the Treasury known as the “Inter-  
6 national Energy Technology Deploy-  
7 ment Fund”; and

8 (II) available for expenditure only  
9 for international technology develop-  
10 ment under section 401(f).

11 (B) FOREIGN ALLOWANCES.—

12 (i) IN GENERAL.—A United States  
13 importer may submit, in lieu of inter-  
14 national reserve allowances issued under  
15 this subsection, foreign allowances or simi-  
16 lar compliance instruments that a foreign  
17 country has distributed under a com-  
18 parable cap and trade program.

19 (ii) COMPARABLE CAP AND TRADE  
20 PROGRAM.—For purposes of clause (i), a  
21 comparable cap and trade program shall  
22 include any greenhouse gas regulatory pro-  
23 gram that a foreign country has adopted to  
24 limit the greenhouse gas emissions of the

1 foreign country, if the President certifies  
2 that the program—

3 (I) places a quantitative limita-  
4 tion on the total quantity of green-  
5 house gas emissions of the foreign  
6 country (expressed in terms of tons  
7 per year) and achieves that limitation  
8 through an allowance trading system;

9 (II) satisfies criteria that the  
10 President shall establish for key re-  
11 quirements related to the enforce-  
12 ability of the cap and trade program,  
13 including requirements for moni-  
14 toring, reporting, verification proce-  
15 dures, and allowance tracking; and

16 (III) is a comparable action.

17 (C) FOREIGN CREDITS.—

18 (i) IN GENERAL.—A United States  
19 importer may submit, in lieu of inter-  
20 national reserve allowances issued under  
21 this subsection, foreign credits and credits  
22 for international offset projects that the  
23 President has authorized for use under  
24 subsections (d) and (e) of section 501.

1                   (ii) APPLICATION.—The quantitative  
2                   limit placed on the use of the allowances  
3                   by a regulated entity under subsection  
4                   501(f)(2) shall not apply to a United  
5                   States importer under this section.

6                   (5) WRITTEN DECLARATION OF IMPORTER.—

7                   (A) UNIQUE SERIAL NUMBERS.—A United  
8                   States importer shall include in each written  
9                   declaration subject to paragraph (1) the unique  
10                  serial numbers of the international reserve al-  
11                  lowances, foreign allowances, or foreign credits  
12                  associated with the covered goods subject to  
13                  entry.

14                  (B) RETIREMENT OF ALLOWANCES.—The  
15                  President shall retire the international reserve  
16                  allowances, foreign allowances, or foreign cred-  
17                  its that are included in a written declaration  
18                  subject to paragraph (1).

19                  (C) CORRECTED DECLARATION.—

20                  (i) IN GENERAL.—If, after making the  
21                  declaration required under paragraph (1),  
22                  the United States importer has reason to  
23                  believe that a declaration contains informa-  
24                  tion that is not correct, the importer shall,  
25                  not later than 30 calendar days after the

1 date of discovery of the error, make a cor-  
2 rected declaration.

3 (ii) METHOD.—A corrected declara-  
4 tion shall be made by submission of a let-  
5 ter or other written statement to the Cus-  
6 toms office where the original declaration  
7 was filed.

8 (6) CALCULATION OF SUFFICIENCY OF ALLOW-  
9 ANCES.—

10 (A) METHODOLOGY.—

11 (i) IN GENERAL.—The President shall  
12 establish, by rule, the methodology for cal-  
13 culating the required number of inter-  
14 national reserve allowances that a United  
15 States importer must submit with the writ-  
16 ten declaration under subsection (a) for  
17 each category of covered goods of each cov-  
18 ered foreign country.

19 (ii) FORMULA.—The President shall  
20 develop a general formula for calculating  
21 the international reserve allowance require-  
22 ment that applies, on a per unit basis, to  
23 each covered good of a covered foreign  
24 country that is imported during each com-  
25 pliance year.

1 (B) INITIAL COMPLIANCE YEAR.—Subject  
2 to subparagraph (C), the formulas under sub-  
3 paragraphs (A) and (C) shall establish an inter-  
4 national reserve allowance requirement (per  
5 unit imported into the United States) for the  
6 first compliance year for each category of cov-  
7 ered goods of each covered foreign country that  
8 is equal to the quotient obtained by dividing—

9 (i) the excess, if any, of the total  
10 emissions from the foreign country that  
11 are attributable to the category of covered  
12 goods produced during the most recent  
13 year for which data are available, over the  
14 baseline emissions level of the foreign  
15 country determined for that category of  
16 covered goods; by

17 (ii) the total number of units of out-  
18 put of the covered good produced in the  
19 foreign country during the most recent  
20 year.

21 (C) ADJUSTMENTS FOR INITIAL COMPLI-  
22 ANCE YEAR.—The President shall adjust the  
23 international reserve allowance requirement ap-  
24 plicable to the first compliance year to—

25 (i) reflect the ratio that—



1 (I) allowances that were allocated  
2 at no cost under title II to entities  
3 within the industry sector manufac-  
4 turing the covered goods for the year  
5 when the covered goods were imported  
6 into the United States; bears to

7 (II) the emissions of that indus-  
8 try sector; and

9 (ii) take into account the level of eco-  
10 nomic development of the foreign country  
11 of origin of the imported covered goods.

12 (D) ADJUSTMENTS FOR SUBSEQUENT  
13 COMPLIANCE YEARS.—For each subsequent  
14 compliance year, the President shall revise, as  
15 appropriate, the international reserve allowance  
16 requirement applicable to each category of im-  
17 ported covered goods of each covered foreign  
18 country to reflect changes in—

19 (i) the factors described in subpara-  
20 graphs (B) and (C);

21 (ii) the total quantity of the annual  
22 greenhouse gas allowances issued under  
23 section 201 and payments made in lieu of  
24 the submission of allowances pursuant to  
25 section 102(a)(2); and

1 (iii) other matters that the President  
2 considers to be relevant in revising the  
3 international reserve allowance require-  
4 ment to achieve the purposes of this sec-  
5 tion.

6 (E) PUBLICATION.—Not later than 90  
7 days before the beginning of each applicable  
8 calendar year, the President shall publish in the  
9 Federal Register a schedule describing the re-  
10 quired number of international reserve allow-  
11 ances for each category of imported covered  
12 goods of each covered foreign country, as cal-  
13 culated under this paragraph.

14 (7) CONSISTENCY WITH INTERNATIONAL  
15 AGREEMENTS.—The President shall adjust the inter-  
16 national reserve allowance requirements established  
17 under this subsection (including the number of inter-  
18 national reserve allowances required for each cat-  
19 egory of covered goods of a covered foreign country)  
20 as necessary to ensure that the United States com-  
21 plies with all applicable international agreements.

22 (8) TERMINATION OF INTERNATIONAL RESERVE  
23 ALLOWANCE REQUIREMENT.—The international re-  
24 serve allowance requirements of this subsection shall  
25 not apply to the covered goods of a covered foreign

1 country on a determination made by the President  
2 under paragraph (3)(A) with respect to covered  
3 goods of that foreign country.

4 (9) IMPLEMENTING RULES.—Not later than  
5 January 1, 2019, the President shall issue, pursuant  
6 to notice and comment rulemaking, final rules for  
7 implementing the international reserve allowance re-  
8 quirements established under this subsection.

9 (g) ADJUSTMENT OF INTERNATIONAL RESERVE AL-  
10 LOWANCE REQUIREMENTS.—

11 (1) IN GENERAL.—Not later than January 1,  
12 2023, and each year thereafter, the President shall  
13 prepare and submit to Congress a report that as-  
14 sesses the effectiveness of the existing international  
15 reserve allowance requirements of subsection (f) with  
16 respect to covered goods of each covered foreign  
17 country.

18 (2) INADEQUATE REQUIREMENTS.—If the  
19 President finds that those international reserve al-  
20 lowance requirements are not adequate to achieve  
21 the purposes of this section, the President shall, si-  
22 multaneously with the submission of the report  
23 under paragraph (1), adjust the stringency of the  
24 existing international reserve allowance requirements  
25 applicable to imported covered goods or take other

1 such actions for improving the effectiveness of the  
2 international reserve allowance requirements with re-  
3 spect to imported covered goods in any manner that  
4 complies with all applicable international agree-  
5 ments.

6 (3) EFFECTIVE DATE.—The revised inter-  
7 national reserve allowance requirements take effect  
8 beginning on January 1 of the calendar year imme-  
9 diately following the date that the President adjusts  
10 the requirements under this subsection.

## 11 **TITLE VI—GENERAL** 12 **PROVISIONS**

### 13 **SEC. 601. MONITORING AND REPORTING.**

14 (a) IN GENERAL.—The President shall require, by  
15 rule, that a regulated entity shall perform such monitoring  
16 and submit such reports as the President determines to  
17 be necessary to carry out this Act.

18 (b) SUBMISSION OF INFORMATION.—The President  
19 shall establish, by rule, any procedure the President deter-  
20 mines to be necessary to ensure the completeness, consist-  
21 ency, transparency, and accuracy of reports under sub-  
22 section (a), including—

23 (1) accounting and reporting standards for cov-  
24 ered greenhouse gas emissions;

1           (2) standardized methods of calculating covered  
2           greenhouse gas emissions in specific industries from  
3           other information the President determines to be  
4           available and reliable, such as energy consumption  
5           data, materials consumption data, production data,  
6           or other relevant activity data;

7           (3) if the President determines that a method  
8           described in paragraph (2) is not feasible for a regu-  
9           lated entity, a standardized method of estimating  
10          covered greenhouse gas emissions of the regulated  
11          entity;

12          (4) a method of avoiding double-counting of  
13          covered greenhouse gas emissions;

14          (5) a procedure to prevent a regulated entity  
15          from avoiding the requirements of this Act by—

16                  (A) reorganization into multiple entities; or

17                  (B) outsourcing the operations or activities  
18                  of the regulated entity with respect to covered  
19                  greenhouse gas emissions; and

20          (6) a procedure for the verification of data re-  
21          lating to covered greenhouse gas emissions by—

22                  (A) regulated entities; and

23                  (B) independent verification organizations.

24          (c) DETERMINING ELIGIBILITY FOR CREDITS, AGRI-  
25          CULTURAL SEQUESTRATION ALLOWANCES, BONUS AL-

1 ALLOWANCES FOR GEOLOGICAL SEQUESTRATION, AND  
2 EARLY REDUCTION ALLOWANCES.—

3 (1) IN GENERAL.—An entity shall provide the  
4 President with the information described in para-  
5 graph (2) in connection with any application to re-  
6 ceive—

7 (A) an agricultural project allowance under  
8 section 205;

9 (B) an early reduction allowance under  
10 section 206 (unless, and to the extent that, the  
11 President determines that providing the infor-  
12 mation would not be feasible for the entity);

13 (C) a carbon capture and sequestration  
14 bonus allowance under section 207; or

15 (D) a credit under section 301, 302, or  
16 303.

17 (2) REQUIRED INFORMATION.—

18 (A) GREENHOUSE GAS EMISSIONS REDUC-  
19 TION.—In the case of a greenhouse gas emis-  
20 sions reduction, the entity shall provide the  
21 President with information verifying that, as  
22 determined by the President—

23 (i) the entity has achieved an actual  
24 reduction in greenhouse gas emissions—

1 (I) relative to historic emissions  
2 levels of the entity; and

3 (II) taking into consideration any  
4 increase in other greenhouse gas emis-  
5 sions of the entity; and

6 (ii) if the reduction exceeds the net re-  
7 duction of direct greenhouse gas emissions  
8 of the entity, the entity reported a reduc-  
9 tion that was adjusted so as not to exceed  
10 the net reduction.

11 (B) GREENHOUSE GAS SEQUESTRATION.—

12 In the case of a greenhouse gas sequestration,  
13 the entity shall provide the President with in-  
14 formation verifying that, as determined by the  
15 President, the entity has achieved actual in-  
16 creases in net sequestration, taking into ac-  
17 count the total use of materials and energy by  
18 the entity in carrying out the sequestration.

19 (d) HARMONIZATION WITH INTERNATIONAL STAND-  
20 ARDS.—The President shall, to the maximum extent prac-  
21 ticable, harmonize the rules and procedures developed  
22 under this Act with the rules and procedures of other  
23 countries that have market-based greenhouse gas regu-  
24 latory programs.

1 **SEC. 602. ENFORCEMENT.**

2 (a) FAILURE TO SUBMIT ALLOWANCES.—

3 (1) PAYMENT TO PRESIDENT.—A regulated en-  
4 tity that fails to submit an allowance (or a credit or  
5 TAP in lieu of an allowance) for a calendar year not  
6 later than March 31 of the following calendar year  
7 shall pay to the President, for each allowance the  
8 regulated entity failed to submit, an amount equal  
9 to the product obtained by multiplying—

10 (A) the TAP price for that calendar year;

11 and

12 (B) 3.

13 (2) FAILURE TO PAY.—A regulated entity that  
14 fails to make a payment to the President under  
15 paragraph (1) by December 31 of the calendar year  
16 following the calendar year for which the payment is  
17 due shall be subject to subsection (b) or (c), or both.

18 (b) CIVIL ENFORCEMENT.—

19 (1) PENALTY.—A person that the President de-  
20 termines to be in violation of this Act (including any  
21 rules promulgated under this Act) shall be subject to  
22 a civil penalty of not more than \$25,000 for each  
23 day during which the entity is in violation, in addi-  
24 tion to any amount required under subsection (a)(1).



1           (2) INJUNCTION.—The President may bring a  
2           civil action for a temporary or permanent injunction  
3           against any person described in paragraph (1).

4           (c) CRIMINAL PENALTIES.—A person that willfully  
5           fails to comply with this Act (including any rules promul-  
6           gated under this Act) shall be subject to a fine under title  
7           18, United States Code, or imprisonment for not to exceed  
8           5 years, or both.

9           **SEC. 603. ADMINISTRATIVE PROVISIONS.**

10          (a) DELEGATION.—To carry out this Act, the Presi-  
11          dent may—

12                 (1) delegate and assign any duties or powers  
13                 imposed on or assigned to the President; and

14                 (2) promulgate any rules necessary to carry out  
15                 this Act.

16          (b) DATA.—

17                 (1) IN GENERAL.—In carrying out this Act, the  
18                 President may use any authority provided under sec-  
19                 tion 11 of the Energy Supply and Environmental  
20                 Coordination Act of 1974 (15 U.S.C. 796).

21                 (2) DEFINITION OF ENERGY INFORMATION.—  
22                 For the purposes of carrying out this Act, the defini-  
23                 tion of the term “energy information” under section  
24                 11 of the Energy Supply and Environmental Coordi-  
25                 nation Act of 1974 (15 U.S.C. 796) shall be consid-

1       ered to include any information the President deter-  
2       mines to be necessary or appropriate to carry out  
3       this Act.

4       **SEC. 604. JUDICIAL REVIEW.**

5       (a) IN GENERAL.—Except as provided in subsection  
6       (b), section 336(b) of the Energy Policy and Conservation  
7       Act (42 U.S.C. 6306(b)) shall apply to a review of any  
8       rule issued under this Act in the same manner, and to  
9       the same extent, that section applies to a rule issued under  
10      sections 323, 324, and 325 of that Act (42 U.S.C. 6293,  
11      6294, 6295).

12      (b) EXCEPTION.—A petition for review of a rule  
13      under this Act shall be filed in the United States Court  
14      of Appeals for the District of Columbia.

15      **SEC. 605. SAVINGS PROVISION.**

16      Nothing in this Act affects the authority of Congress  
17      to—

18              (1) limit, terminate, or change the value of an  
19              allowance or credit issued under this Act; or

20              (2) modify allocations of allowances or the dis-  
21              tribution of proceeds of allowance auctions.