

110TH CONGRESS
1ST SESSION

S. 1766

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

IN THE SENATE OF THE UNITED STATES

JULY 11, 2007

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 Environment and Public Works

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-

1 bilizing greenhouse gas concentrations in the atmos-
2 phere at a level that would prevent dangerous an-
3 thropogenic interference with the climate system;

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

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

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

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

23 (B) requirements for periodic Presidential
24 reports and recommendations and expedited
25 congressional procedures to adjust the strin-

1 agency of the regulatory program on consider-
2 ation of new scientific information and the ef-
3 forts of other countries to reduce their emis-
4 sions;

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

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

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

14 **SEC. 3. DEFINITIONS.**

15 In this Act:

16 (1) ALLOCATION PERIOD.—

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

21 (B) INITIAL ALLOCATION PERIOD.—The
22 term “initial allocation period” means the pe-
23 riod beginning January 1, 2012, and ending
24 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 hydrofluoro-
20 carbons, perfluorocarbons, sulfur hexa-
21 fluoride, or nitrous oxide, the quantity of
22 hydrofluorocarbons, perfluorocarbons, sul-
23 fur hexafluoride, or nitrous oxide produced
24 in the United States or imported by, or

1 contained in products imported by, the
2 manufacturer or 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 perfluoro-
9 carbons emitted by the smelter;

10 (viii) for a facility in the United
11 States that produces hydrochlorofluorocar-
12 bon-22, the quantity of hydrofluorocar-
13 bon-23 emitted by the facility; and

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

20 (B) UNITS.—Quantities of covered green-
21 house gas emissions shall be measured and ex-
22 pressed in units of metric tons of carbon diox-
23 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, perfluorocar-
16 bons, sulfur hexafluoride, or nitrous oxide;
17 or

18 (ii) a product containing hydrofluoro-
19 carbons, perfluorocarbons, sulfur hexa-
20 fluoride, 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 Emissions
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
	Tech-nology	Adaption	Low-In-come As-sistance		Agri-culture Seques-tration	Early Reduc-tion	CCS Bonus Allow-ance	
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
	Tech-nology	Adaption	Low-In-come As-sistance		Agri-culture Seques-tration	Early Reduc-tion	CCS Bonus Allow-ance	
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

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

(A) The percentages allocated to technology and adaptation shall each increase by 1 percentage point for each of calendar years 2031 through 2043.

(B) The percentage allocated to industry sectors shall decrease by 2 percentage points 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 Indus- try Sector	Percentage of Allow- ances Allo- cated to In- dustry
Coal	Eligible Coal Mine	12
Refining	Eligible Petroleum Re- fineries	7
Natural Gas	Eligible Natural Gas Processing Plants	4
Electric Power	Eligible Electric Gen- eration Facilities	54
Nonfuel Entities	Eligible Nonfuel Regu- lated 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 INDIVIDUAL FACILITIES.—For each calendar year, the
 4 quantity of allowances allocated to each eligible facility
 5 (other than a new entrant facility) within an industry sector shall be the quantity equal to the product obtained by multiplying—
 6
 7
 8

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 factor for that facility during the 3-year period beginning on January 1, 2004 (or, in
 14 the case of a new eligible facility, during
 15 the first 3 years of operation); bears to
 16
 17

18 (ii) the sum of the carbon content allocation factors for all eligible facilities
 19 (other than new entrant facilities) in that
 20 sector, as determined pursuant to clause
 21 (i).
 22

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

(A) are insufficient to enable the allocations required under subparagraph (B) to be made, the additional required allowances shall be deducted from the allowances available for auction under section 208.

(ii) SURPLUS ALLOCATIONS.—If the President does not allocate under subparagraph (B) all the allowances available for new entrants under subparagraph (A), any unallocated allowances shall be added to the allowances available for auction.

(c) ELIGIBILITY CRITERIA FOR POST-2006 ELECTRIC GENERATION FACILITIES.—

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

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

(B) coal-fired generation facilities for electric energy that commence operation after December 31, 2006, based on the lowest economically achievable carbon dioxide per kilowatt 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 ALLOW-
 20 ANCES.—Taking into account the report prepared under
 21 subsection (a)(1), the Secretary of Agriculture shall estab-
 22 lish, by rule, a program under which agricultural seques-
 23 tration allowances may be distributed to entities that carry
 24 out sequestration projects on agricultural land that

1 achieve long-term greenhouse gas emission mitigation ben-
2 efits.

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

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

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

11 (d) RELATIONSHIP TO AUCTION.—

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

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

1 (e) EDUCATION AND OUTREACH SERVICES.—The
2 Secretary of Agriculture, acting through the Cooperative
3 State Research, Education, and Extension Service, shall
4 carry out a program to provide—

5 (1) education and outreach services to agricul-
6 tural producers relating to—

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

10 (B) the soil and environmental benefits of
11 carbon sequestration;

12 (C) the transition to carbon sequestering
13 soil techniques;

14 (D) other agricultural sector greenhouse
15 gas emission reduction activities; and

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

19 (2) education and outreach services to
20 aggregators relating to—

21 (A) the management of carbon credits for
22 agricultural producers; and

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

1 (f) COMPETITIVE GRANTS.—

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

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

11 (3) LIMITATIONS.—

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

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

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

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

2 (a) ESTABLISHMENT.—

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

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

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

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

21 (2) the percentage available for early reduction
22 allowances for the calendar year under section
23 201(a).

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

(1) are consistent with maintaining the environmental integrity of the program under this Act; and

(2) were reported under—

(A) the Voluntary Reporting of Greenhouse Gases Program of the Energy Information Administration under section 1605(b) of the Energy Policy Act of 1992 (42 U.S.C. 13385(b));

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

(C) a State-administered or privately administered registry that includes early reduction actions not covered under the programs described in subparagraph (A) or (B).

SEC. 207. ALLOCATION OF CARBON CAPTURE AND SEQUESTRATION BONUS ALLOWANCES.

(a) BONUS ALLOWANCES FOR NEAR-TERM GEOLOGICAL SEQUESTRATION PROJECTS.—

(1) ESTABLISHMENT.—

(A) IN GENERAL.—The President shall establish, by rule, a demonstration program under which the President shall encourage near-term development of certain geological sequestration projects by distributing bonus allowances to entities that implement the projects.

1 (B) ADDITIONAL ALLOWANCES.—The dis-
2 tribution of bonus allowances shall be in addi-
3 tion to any credits distributed for the projects
4 under section 302.

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

8 (A) comply with such procedures as the
9 President may establish for crediting geological
10 sequestration projects under sections 302 and
11 303;

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

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

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

Calendar Year	Bonus Allowance Rate
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

Calendar Year	Bonus Allowance Rate
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 ceding 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, perfluoro-
25 carbons, sulfur hexafluoride, or nitrous oxide exported by

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

3 (e) HYDROFLUOROCARBON DESTRUCTION.—If the
4 President determines that an entity has destroyed hydro-
5 fluorocarbons in calendar year 2012 or any calendar year
6 thereafter, the President shall distribute to that entity a
7 quantity of credits equal to the volume of hydrofluorocar-
8 bons destroyed by the entity during that calendar year,
9 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.

(C) INELIGIBLE UNITS.—A new unit for the generation of electricity that uses renewable energy resources shall not be eligible to receive an award under this subsection if the unit receives renewable energy credits under a Federal renewable portfolio standard.

(4) FORMS OF AWARDS.—

(A) ZERO- AND LOW-CARBON GENERATORS.—An award for zero- or low-carbon generation under this subsection shall be in the form of a contract to provide a production payment for each year during the first 10 years of commercial service of the generation unit in an amount equal to the product obtained by multiplying—

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

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

(B) HIGH-EFFICIENCY CONSUMER PRODUCTS.—An award for a high-efficiency consumer product under this subsection shall be in the form of a lump sum payment in an amount 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 ACTIVITIES.—The Secretary shall provide in-
7 centives only to projects that will cap-
8 ture and sequester emissions of car-
9 bon dioxide.
10

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-

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

(ii) research and development of new technologies to reclaim impaired and non-traditional water supplies, including desalination technologies; and

(iii) providing an appropriate Federal cost-share through existing Federal programs to facilitate the planning, design, and construction of projects to conserve water or otherwise enhance water use efficiency, including facilities to reclaim and reuse wastewater.

(D) 30 percent shall be used for fish and wildlife conservation programs, with the total funding under this subparagraph divided as follows:

(i) 18 percent shall be transferred to the subaccount of the Treasury known as the Wildlife Conservation and Restoration Account established by section 3(a)(2) of the Pittman-Robertson Wildlife Restoration Act (16 U.S.C. 669b(a)(2)) in accordance 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. 460l–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 (A) 4 percent for development of the Na-
2 tional Climate Change Conservation Wildlife
3 Strategy, except that if the Secretary of the In-
4 terior needs less than 2 percent for that pur-
5 pose, the Secretary may reallocate unneeded
6 funds to implement the Strategy.

7 (B) 8 percent for monitoring under the
8 National Climate Change Conservation Wildlife
9 Strategy, except that if the Secretary of the In-
10 terior needs less than 4 percent for that pur-
11 pose, the Secretary may reallocate unneeded
12 funds to implement the Strategy.

13 (C) 88 percent for implementation of the
14 National Climate Change Conservation Wildlife
15 Strategy through existing Federal programs, in-
16 cluding not less than—

17 (i) 16 percent to the Secretary of the
18 Interior for—

19 (I) implementation of the North
20 American Wetlands Conservation Act
21 (16 U.S.C. 4401 et seq.);

22 (II) acquisition of easements by
23 the Fish and Wildlife Service; and

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) $\frac{1}{4}$ 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) $\frac{1}{4}$ 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-

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

(A) to ensure that the United States is undertaking an equitable share of the responsibility for reducing atmospheric greenhouse gas concentrations; and

(B) to reasonably lead the United States to reduce the annual emissions of the United States to levels that are at least 60 percent below 2006 levels by 2050 or to levels consistent with the most recent assessments of the National Academy of Sciences.

(2) REPORTS TO CONGRESS.—

(A) 5-YEAR REVIEW REPORT.—

(i) IN GENERAL.—During the period beginning April 15, 2017, and ending May 31, 2017, and every 5 years thereafter, the President shall submit to Congress a report describing any recommendation of the President with respect to amendments to this Act.

(ii) RECOMMENDATIONS.—The recommendations of each report shall take 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).

(2) REQUIREMENTS.—A joint resolution considered under paragraph (1) shall—

(A) be introduced during the 45-day period beginning on the date on which a report is submitted under subsection (b); and

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

“(i) Effective beginning _____, the table in section 101 of the Low Carbon Economy Act of 2007 is amended _____.”;

“(ii) Effective beginning _____, section 102(d) of the Low Carbon Economy Act of 2007 is amended _____.”; or

“(iii) Effective beginning _____, no TAP may be accepted by the President in lieu of an allowance under section 102 of the Low Carbon Economy Act of 2007.”;

the blanks being filled in with the effective dates, reductions in the quantity of greenhouse gas allowances to be issued, or increases in the TAP price that were specifically recommended 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).

(B) COUNTRY LISTS.—Not later than January 1, 2020, and every year thereafter, the President shall develop and publish in the Federal Register the following 2 lists of foreign countries:

(i) EXCLUDED LIST.—In the excluded list, the President shall identify those foreign countries the covered goods of which the President has determined under subparagraph (A) are not subject to the international reserve allowance requirements of this subsection.

(ii) COVERED LIST.—

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

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

(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

foreign country, if the President certifies
that the program—

(I) places a quantitative limitation on the total quantity of greenhouse gas emissions of the foreign country (expressed in terms of tons per year) and achieves that limitation through an allowance trading system;

(II) satisfies criteria that the President shall establish for key requirements related to the enforceability of the cap and trade program, including requirements for monitoring, reporting, verification procedures, and allowance tracking; and

(III) is a comparable action.

(C) FOREIGN CREDITS.—

(i) IN GENERAL.—A United States importer may submit, in lieu of international reserve allowances issued under this subsection, foreign credits and credits for international offset projects that the President has authorized for use under 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.

○