To create a Climate Action Rebate Fund in order to efficiently reduce greenhouse gas emissions, provide a monthly rebate to the American people, encourage innovation of clean energy technologies and create new economic opportunities, ensure the resiliency of our infrastructure, assist with the transition to a clean energy economy, and leave a healthier, more stable, and more prosperous nation for future generations.

IN THE SENATE OF THE UNITED STATES

JULY 25, 2019

Mr. COONS (for himself and Mrs. FEINSTEIN) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To create a Climate Action Rebate Fund in order to efficiently reduce greenhouse gas emissions, provide a monthly rebate to the American people, encourage innovation of clean energy technologies and create new economic opportunities, ensure the resiliency of our infrastructure, assist with the transition to a clean energy economy, and leave a healthier, more stable, and more prosperous nation for future generations.

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

This Act may be cited as the “Climate Action Rebate Act of 2019”.

SEC. 2. FINDINGS.

The Congress finds that—

(1) climate change is costing the United States billions of dollars of economic losses and poses an existential threat to our safety and security;

(2) markets should reflect all costs of goods, including external factors such as pollution; and

(3) creation of a Climate Action Rebate Fund can make markets more efficient, create jobs, stimulate innovation, invest in infrastructure, put money back in the pockets of Americans, and provide for the transition to a cleaner energy future.

SEC. 3. CARBON FEE.

(a) In general.—Chapter 38 of subtitle D of the Internal Revenue Code of 1986 is amended by adding at the end the following new subchapter:

“Subchapter E—Carbon Fee

Sec. 4691. Definitions.
Sec. 4692. Carbon fee.
Sec. 4693. Emissions reduction schedule.
Sec. 4694. Fee on fluorinated greenhouse gases.
Sec. 4695. Carbon capture refunds.
Sec. 4696. Carbon border fee adjustment.
Sec. 4697. Administration of the carbon border fee adjustment.
Sec. 4698. Allocation of carbon border fee adjustment revenues.
SEC. 4691. DEFINITIONS.

“For purposes of this subchapter—

(a) ADMINISTRATOR.—The term ‘Administrator’ means the Administrator of the Environmental Protection Agency.

(b) CARBON DIOXIDE EQUIVALENT OR CO₂-E.—The term ‘carbon dioxide equivalent’ or ‘CO₂-e’ means the number of metric tons of carbon dioxide emissions with the same global warming potential as one metric ton of another greenhouse gas.

(c) CARBON-INTENSIVE PRODUCT.—The term ‘carbon-intensive product’ means—

(1) iron, steel, steel mill products (including pipe and tube), aluminum, cement, glass (including flat, container, and specialty glass and fiberglass), pulp, paper, chemicals, or industrial ceramics, and

(2) any manufactured product which the Secretary, in consultation with the Administrator, determines is energy-intensive and trade-exposed (with the exception of any covered fuel).

(d) COVERED ENTITY.—The term ‘covered entity’ means—

(1) in the case of crude oil—

(A) any operator of a United States refinery (as described in subsection (d)(1) of section 4611), and
“(B) any person entering such product into the United States for consumption, use, or warehousing (as described in subsection (d)(2) of such section),
“(2) in the case of coal—
“(A) any producer subject to the tax under section 4121, and
“(B) any importer of coal into the United States,
“(3) in the case of natural gas—
“(A) any entity which produces natural gas (as defined in section 613A(e)(2)) from a well located in the United States, and
“(B) any importer of natural gas into the United States,
“(4) in the case of fluorinated gases, any entity required to report the emission of a fluorinated gas under part 98 of title 40, Code of Federal Regulations,
“(5) in the case of solid biomass, any entity which operates a facility that combusts such solid biomass in a manner which emits a greenhouse gas into the atmosphere, and
“(6) any entity or class of entities which, as determined by the Secretary, is transporting, selling,
or otherwise using a covered fuel in a manner which emits a greenhouse gas into the atmosphere and which has not been covered by the carbon fee, the fluorinated greenhouse gas fee, or the carbon border fee adjustment.

“(e) COVERED FUEL.—The term ‘covered fuel’ means crude oil, natural gas, coal, solid biomass, or any other product derived from crude oil, natural gas, or coal which shall be used so as to emit greenhouse gases to the atmosphere.

“(f) FULL FUEL CYCLE GREENHOUSE GAS EMISSIONS.—The term ‘full fuel cycle greenhouse gas emissions’ means the greenhouse gas content of a covered fuel (excluding solid biomass) plus that covered fuel’s upstream greenhouse gas emissions.

“(g) GREENHOUSE GAS.—The term ‘greenhouse gas’ has the same meaning given such term under paragraph (3) of section 901 of the Energy Independence and Security Act of 2007 (42 U.S.C. 17321), and shall include any other gases as identified by rule of the Administrator.

“(h) GREENHOUSE GAS CONTENT.—The term ‘greenhouse gas content’ means the amount of greenhouse gases, expressed in metric tons of CO$_2$e, which would be emitted to the atmosphere by the use of a covered fuel.
“(i) SOLID BIOMASS.—The term ‘solid biomass’ means nonfossilized and biodegradable organic material originating from plants, animals or microorganisms, including products, byproducts, residues and waste from agriculture, forestry and related industries as well as the nonfossilized and biodegradable organic fractions of industrial and municipal wastes, but does not include gases and liquids recovered from the decomposition of nonfossilized and biodegradable organic material.

“(j) UNITED STATES.—The term ‘United States’ shall be treated as including each possession of the United States (including the Commonwealth of Puerto Rico and the Commonwealth of the Northern Mariana Islands).

“SEC. 4692. CARBON FEE.

“(a) CARBON FEE.—There is hereby imposed a carbon fee on any covered entity’s use, sale, or transfer of any covered fuel.

“(b) AMOUNT OF THE CARBON FEE.—The carbon fee imposed by this section is an amount equal to—

“(1) the greenhouse gas content of the covered fuel, multiplied by

“(2) the carbon fee rate.

“(c) CARBON FEE RATE.—For purposes of this section—
“(1) In general.—The carbon fee rate, with respect to any use, sale, or transfer during a calendar year, shall be—

“(A) in the case of calendar year 2020, $15, and

“(B) except as provided in paragraph (2), in the case of any calendar year thereafter, the carbon fee rate in effect under this subsection for the preceding calendar year, plus $15.

“(2) Exceptions.—

“(A) Increased carbon fee rate after missed annual emissions reduction target.—In the case of any year immediately following a year for which the Secretary determines under 4693(b) that the emissions of greenhouse gases from covered fuels exceeded the emissions reduction target for the previous year, paragraph (1)(B) shall be applied by substituting ‘$30’ for ‘$15’.

“(B) Cessation of carbon fee rate increase after certain emission reductions achieved.—In the case of any year immediately following a year for which the Secretary determines under 4693(b) that emissions of greenhouse gases from covered fuels are not
more than 10 percent of the greenhouse gas emissions from covered fuels during the year 2017, paragraph (1)(B) shall be applied by substituting ‘$0’ for ‘$15’.

“(d) SOLID BIOMASS.—For purposes of subsection (b), in the case of a covered fuel which consists of solid biomass, the greenhouse gas content of such covered fuel shall be determined by the Administrator based on the lifecycle greenhouse gas emissions of such fuel, as defined in section 211(o)(1)(H) of the Clean Air Act (42 U.S.C. 7545(o)(1)(H)).

“(e) EXEMPTION AND REFUND.—The Secretary shall prescribe such rules as are necessary to ensure the carbon fee imposed by this section is not imposed with respect to any nonemitting use, or any sale or transfer for a non-emitting use, including rules providing for the refund of any carbon fee paid under this section with respect to any such use, sale, or transfer.

“(f) ADMINISTRATIVE AUTHORITY.—The Secretary, in consultation with the Administrator, shall prescribe such regulations, and other guidance, to assess and collect the carbon fee imposed by this section, including—

“(1) requirements for the quarterly payment of such fees, and
“(2) rules to ensure that no covered fuel has the carbon fee or the carbon border fee adjustment imposed upon it more than once.

“SEC. 4693. EMISSIONS REDUCTION SCHEDULE.

“(a) In General.—An emissions reduction schedule for greenhouse gas emissions from covered fuels is hereby established, as follows:

“(1) Reference Year.—

“(A) In General.—Subject to subparagraph (B), the greenhouse gas emissions from covered fuels during the year 2017 shall be the reference amount of emissions and shall be determined from the ‘Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990–2017’ published by the Environmental Protection Agency in April of 2019.

“(B) Updates.—If the greenhouse gas emissions from covered fuels during the year 2017 is revised by the Administrator in a subsequent report, the amount of such emissions contained in such report shall apply for purposes of this section.

“(2) Emissions Reduction Targets.—

“(A) 2020 Through 2030.—The emissions reduction target for each calendar year during
the period of calendar years 2020 through 2030 shall be determined as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Emissions Reduction Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>Reference year</td>
</tr>
<tr>
<td>2020</td>
<td>90 percent of 2017 emissions</td>
</tr>
<tr>
<td>2021</td>
<td>81 percent of 2017 emissions</td>
</tr>
<tr>
<td>2022</td>
<td>74 percent of 2017 emissions</td>
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<td>2023</td>
<td>68 percent of 2017 emissions</td>
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<td>52 percent of 2017 emissions</td>
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<td>50 percent of 2017 emissions</td>
</tr>
<tr>
<td>2029</td>
<td>47 percent of 2017 emissions</td>
</tr>
<tr>
<td>2030</td>
<td>45 percent of 2017 emissions</td>
</tr>
</tbody>
</table>

“(B) 2031 THROUGH 2050.—The emissions reduction target for each calendar year during the period of calendar years 2031 through 2050 shall be equal to the emissions reduction target for the preceding year reduced by an amount equal to 2.25 percent of 2017 emissions.

“(b) Administrative Determination.—Not later than 90 days after the beginning of each calendar year beginning after the date of the enactment of this section, the Secretary, in consultation with the Administrator, shall determine whether emissions of greenhouse gases
from covered fuels exceeded the emissions reduction target for the preceding calendar year. The Secretary shall make such determination using the same greenhouse gas accounting method as was used to determine the greenhouse gas emissions in the ‘Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990–2017’ published by the Environmental Protection Agency in April of 2019.

“SEC. 4694. FEE ON FLUORINATED GREENHOUSE GASES.

“(a) FLUORINATED GAS FEE.—A fee is hereby imposed upon any fluorinated greenhouse gas which is required to be reported under part 98 of title 40, Code of Federal Regulations.

“(b) AMOUNT.—The fee to be paid by the covered entity required to so report shall be an amount equal to—

“(1) the total amount, in metric tons of CO₂-e, of emitted fluorinated greenhouse gases (or, in the case of a supplier, emissions that would result determined under the rules of such part), multiplied by

“(2) an amount equal to 20 percent of the carbon fee rate in effect under section 4692(c)(1) for the calendar year of such emission.

“(c) ADMINISTRATIVE AUTHORITY.—The Secretary, in consultation with the Administrator, shall prescribe such regulations, and other guidance, to assess and collect the carbon fee imposed by this section, including—
“(1) requirements for the quarterly payment of such fees, and
“(2) rules to ensure that no covered fuel has the carbon fee or the carbon border fee adjustment imposed upon it more than once.

“SEC. 4695. CARBON CAPTURE REFUNDS.
“(a) IN GENERAL.—The Secretary, in consultation with the Administrator and the heads of other relevant Federal agencies, shall prescribe regulations for providing payments to any person which captures qualified carbon oxide (as defined in subsection (e) of section 45Q) which is—
“(1) disposed of by such person in secure geological storage, as described in subsection (f)(2) of such section,
“(2) used by such person as a tertiary injectant in a qualified enhanced oil or natural gas recovery project (as defined in subsection (e)(2) of such section) and disposed of by such person in secure geological storage, or
“(3) utilized by such person in a manner described in subsection (f)(5) of such section.
“(b) PAYMENTS FOR CARBON CAPTURE.—
“(1) IN GENERAL.—In the case of any industrial facility for which carbon capture equipment has
been placed in service, the Secretary shall make payments to the owner of such facility in the same manner as if such payment was a refund of an overpayment of the carbon fee imposed by section 4692.

“(2) AMOUNT OF PAYMENT.—The payment determined under this subsection shall be an amount equal to—

“(A) the metric tons of qualified carbon oxide captured and disposed of, used, or utilized in a manner consistent with subsection (a), multiplied by

“(B) the carbon fee rate during the year in which the carbon fee was imposed by section 4692 upon the covered fuel to which such carbon oxide relates.

“(3) COORDINATION WITH CREDIT FOR CARBON OXIDE SEQUESTRATION.—At such time that the Secretary prescribes regulations implementing this section, no payment under this section shall be allowed to any person for any unit of carbon oxide for which a credit has been allowed with respect to such unit under section 45Q.

“(c) EXCEPTION.—In the case of any industrial facility which is owned by an entity that is determined to be in violation of any applicable air quality regulations, such
facility shall not be eligible for any payment under this section during the period of such violation.

SEC. 4696. CARBON BORDER FEE ADJUSTMENT.

(a) IN GENERAL.—The fees imposed by, and refunds allowed under, this section shall be referred to as ‘the carbon border fee adjustment’.

(b) IMPORTED COVERED FUELS FEE.—In the case of any person that imports into the United States any covered fuel, there shall be imposed a fee equal to the excess (if any) of—

(1) an amount equal to—

(A) the amount of full fuel cycle greenhouse gas emissions of such fuel, multiplied by

(B) the carbon fee rate in effect for the year in which such fuel is imported, over

(2) the total foreign cost of carbon carried by such fuel.

(c) IMPORTED CARBON-INTENSIVE PRODUCTS FEE.—In the case of any person that imports into the United States any carbon-intensive products, there shall be imposed a fee equal to the excess (if any) of—

(1) an amount equal to—

(A) production greenhouse gas emissions of such product, multiplied by
“(B) the carbon fee rate in effect for the year in which the production greenhouse gas emissions of such product were emitted into the atmosphere, over

“(2) the total foreign cost of carbon carried by such product.

“(d) REFUND ON EXPORTS FROM UNITED STATES.—

“(1) CARBON-INTENSIVE PRODUCTS.—Under regulations prescribed by the Secretary, there shall be allowed a credit or refund (without interest) to exporters of carbon-intensive products manufactured or produced in the United States an amount equal to the excess (if any) of—

“(A) an amount equal to—

“(i) the production greenhouse gas emissions of the exported carbon-intensive product, multiplied by

“(ii) the carbon fee rate during the year in which the carbon fee or fluorinated greenhouse gas fee was paid upon the production greenhouse gas emissions of the exported carbon-intensive product, over

“(B) any total cost of carbon to be levied upon the carbon-intensive product by any juris-
...diction to which the carbon-intensive product is
to be imported.

Any such credit or refund shall be allowed in the
same manner as if it were an overpayment of the fee
imposed by section 4692 or 4694. The Secretary
shall establish fair, timely, impartial, and as nec-
essary confidential procedures by which any exporter
of any product from the United States may petition
the Secretary to include that exported product on
the list of carbon-intensive products.

“(2) COVERED FUELS.—Under regulations pre-
scribed by the Secretary, in the case of a covered
fuel produced in the United States with respect to
which the fee under section 4692 was paid, there
shall be allowed as a credit or refund (without inter-
est) to any exporter of such covered fuels an amount
equal to the excess (if any) of—

“(A) an amount equal to—

“(i) the full fuel cycle greenhouse gas
emissions of the covered fuel, multiplied by
“(ii) the carbon fee rate at the time
the carbon fee was paid upon the full fuel
cycle greenhouse gas emissions of the ex-
ported covered fuel, over
“(B) any total cost of carbon to be levied upon the covered fuel by a jurisdiction to which the carbon-intensive product is to be imported. Any such credit or refund shall be allowed in the same manner as if it were an overpayment of tax imposed by section 4692.

“(e) DEFINITIONS.—For purposes of this section and section 4697—

“(1) FOREIGN COST OF CARBON; FOREIGN CARBON COSTS.—The term ‘foreign cost of carbon’ or ‘foreign carbon cost’ means the cost of any laws of a foreign jurisdiction which impose a system of cap-and-trade with respect to, or a tax or fee on, greenhouse gas. Such cost shall be determined and expressed as a price per ton of CO₂-e.

“(2) PRODUCTION GREENHOUSE GAS EMISSIONS.—The term ‘production greenhouse gas emissions’ means the quantity of greenhouse gases, expressed in metric tons of CO₂-e, emitted to the atmosphere resulting from, nonexclusively, the production, manufacture, assembly, transportation, or financing of a product.

“(3) TOTAL COST OF CARBON CARRIED.—The term ‘total cost of carbon carried’ means an amount equal to—
“(A) the production greenhouse gas emissions of a carbon-intensive product or the full fuel cycle greenhouse gas emissions of a covered fuel, multiplied by

“(B) the cost of carbon with respect to such product or fuel, reduced by any amount refunded with respect to such product or fuel by a foreign jurisdiction.

The total cost of carbon carried shall be expressed as price in United States dollars.

“(4) TOTAL FOREIGN COST OF CARBON CARRIED.—The term ‘total foreign cost of carbon carried’ means an amount equal to—

“(A) the production greenhouse gas emissions of a carbon-intensive product, or the full fuel cycle greenhouse gas emissions of a covered fuel, multiplied by

“(B) the foreign cost of carbon with respect to such product or fuel, reduced by the amount refunded with respect to such product or fuel by a foreign jurisdiction.

The total foreign cost of carbon carried shall be expressed as price in United States dollars.

“(5) UPSTREAM GREENHOUSE GAS EMISSIONS.—The term ‘upstream greenhouse gas emis-
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sions’ means the quantity of greenhouse gases, ex-
pressed in metric tons of CO\textsubscript{2}-e, emitted to the at-
mosphere resulting from, nonexclusively, the extrac-
tion, processing, transportation, financing, or other
preparation of a covered fuel for use.

"SEC. 4697. ADMINISTRATION OF THE CARBON BORDER

FEE ADJUSTMENT.

“(a) IN GENERAL.—The Secretary, in consultation
with the Administrator, shall prescribe regulations and
guidance which implement the carbon border fee adjust-
ment under section 4696.

“(b) COLLABORATION.—In determining the produc-
tion greenhouse gas emissions of an imported carbon-in-
tensive product, the upstream greenhouse gas emissions
of an imported covered fuel, the full fuel cycle greenhouse
gas emissions of an imported covered fuel, or the foreign
cost of carbon, or otherwise administering the carbon bor-
der fee adjustment, it is the sense of Congress that the
Secretary should collaborate with authorized officers of
any jurisdiction, including sub-national governments, af-
fected by the carbon border fee adjustment.

“(c) METHODOLOGY.—In determining the production
greenhouse gas emissions of an imported carbon-intensive
product, the upstream greenhouse gas emissions of an im-
ported covered fuel, the full fuel cycle greenhouse gas

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emissions of an imported covered fuel, or the foreign cost of carbon, the Secretary shall use reliable methodologies, which—

“(1) as may be necessary or convenient—

“(A) distinguish between different types of covered fuels,

“(B) distinguish between a covered fuel’s greenhouse gas content and that covered fuel’s upstream greenhouse gas emissions,

“(C) distinguish between the different types of greenhouse gas emissions which compose a covered fuel’s upstream greenhouse gas emissions or greenhouse gas content, as well as the various processes which produced those emissions, and

“(D) distinguish between the different types of greenhouse gas emissions which compose a carbon-intensive product’s production greenhouse gas emissions, as well as the various processes which produced those emissions,

“(2) ensure that no covered fuel, covered fluorinated greenhouse gas, or carbon-intensive product has the carbon fee, the fluorinated greenhouse gas fee, or the border fee adjustment imposed upon it more than once,
“(3) ensure that the implementation of the border carbon adjustment aligns with the carbon fee and the fluorinated gas fee,

“(4) in the case of incomplete data, rely upon the best available methodologies for interpolating data gaps, and

“(5) are consistent with international treaties and agreements.

“(d) PROCEDURE.—The Secretary shall establish fair, timely, impartial, and as necessary confidential procedures by which the importer of any carbon-intensive product or any covered fuel may petition the Secretary to revise the Secretary’s determination of the production greenhouse gas emissions, full fuel cycle greenhouse gas emissions, or upstream greenhouse gas emissions of that importer’s imported covered fuel or imported carbon-intensive product, or the foreign cost of carbon carried by that importer’s imported carbon-intensive product.

“SEC. 4698. ALLOCATION OF CARBON BORDER FEE ADJUSTMENT REVENUES.

“The revenues collected under section 4696 may be used to supplement appropriations made available in fiscal years 2020 and thereafter—
“(1) to U.S. Customs and Border Protection, in such amounts as are necessary to administer the carbon border fee adjustment,

“(2) from the amounts remaining following payment of the expenses described in paragraph (1), to the Department of Treasury, in such amounts as are necessary to allow refunds under section 4696(e) to exporters of carbon-intensive products and exporters of covered fuels, and

“(3) from the amounts remaining following payment of the expenses described in paragraphs (1) and (2)—

“(A) to the Department of State and the United States Agency for International Development for programs to address climate mitigation and adaptation in developing countries, including contributions to the Green Climate Fund, and

“(B) to the Export-Import Bank of the United States to facilitate exportation of clean energy technologies”.

(b) Payments to Farmers and Landowners for Nature-Based Projects.—

(1) In General.—The Secretary of Agriculture, in consultation with the Administrator of
the Environmental Protection Agency, shall provide payments to farmers and landowners within the United States to implement carbon sequestration projects with measurable greenhouse gas reduction benefits or other nature-based projects that reduce greenhouse gas emissions, including projects for—

(A) ecologically-appropriate reforestation,

(B) restoration of wetlands,

(C) agricultural practices such as the usage of cover crops, no till, and practices that can reduce emissions from livestock, fertilizers, and rice cultivation, and

(D) other appropriate practices as determined by the Secretary of Agriculture.

(2) AMOUNT OF PAYMENT.—Not later than 180 days after the date of enactment of this Act, the Secretary of Agriculture, in consultation with the Administrator of the Environmental Protection Agency, shall issue regulations to determine the amount of a payment under paragraph (1), taking into account the use of certified third-party registries for verification of emissions reductions and provisions for addressing the potential impermanence of carbon sequestration in biomass and soils.
(c) Payments for Direct Air Capture of Carbon Dioxide.—

(1) In General.—Subject to paragraph (3), the Secretary of Energy, in consultation with the Administrator of the Environmental Protection Agency and the heads of any other relevant agencies, shall make payments to any direct air capture facility (as defined in section 45Q(e)(1) of the Internal Revenue Code of 1986) within the United States that uses carbon capture equipment to capture carbon dioxide directly from the ambient air and disposes of such carbon dioxide in secure geological storage (as described in section 45Q(f)(2) of such Code).

(2) Payment Amount.—A payment under paragraph (1) shall be in an amount equal to the product obtained by multiplying—

(A) the metric tons of carbon dioxide captured and disposed of by the facility; and

(B) the carbon fee rate in effect during the calendar year preceding the year in which the capture of such carbon dioxide occurs.

(3) Exception.—In the case of any direct air capture facility which is owned by an entity that is determined to be in violation of any applicable air
quality regulations, such facility shall not be eligible for any payment under this section during the period of such violation.

(4) COORDINATION WITH CREDIT FOR CARBON DIOXIDE SEQUESTRATION.—The Secretary of Energy shall not make a payment under this subsection with respect to any facility for any unit of carbon dioxide for which a credit has been allowed with respect to such unit under section 45Q of the Internal Revenue Code of 1986.

(d) COORDINATION WITH CARBON OXIDE SEQUESTRATION CREDIT.—Section 45Q(f) is amended by adding at the end the following new paragraph:

“(8) COORDINATION WITH CARBON CAPTURE AND SEQUESTRATION PAYMENTS.—No credit shall be allowed under this section with respect to any unit of carbon oxide which has received any refund or payment with respect to such unit under section 3(c) of the Climate Action Rebate Act of 2019 or section 4695.”.

(e) INTERNATIONAL NEGOTIATIONS.—The Congress finds the international mitigation of greenhouse gas emissions to be of national importance. Therefore, the Congress encourages the Secretary of State, or the Secretary’s designee, to commence and complete negotiations with
other nations with the goal of forming treaties, environmental agreements, accords, partnerships, or any other instrument that effectively reduces global greenhouse gas emissions to 10 percent of 2017 levels by 2050 and which respect the principle of common but differentiated responsibilities and respective capabilities.

**SEC. 4. ESTABLISHMENT OF THE CLIMATE ACTION REBATE FUND.**

(a) IN GENERAL.—Subchapter A of chapter 98 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

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"SEC. 9512. CLIMATE ACTION REBATE FUND.

(a) ESTABLISHMENT AND FUNDING.—There is hereby established in the Treasury of the United States a trust fund to be known as the 'Climate Action Rebate Fund', consisting of such amounts as may be appropriated to such trust fund as provided for in this section.

(b) TRANSFERS TO THE CLIMATE ACTION REBATE FUND.—There is hereby appropriated to the Climate Action Rebate Fund amounts equal to the fees received into the Treasury less any amounts refunded or paid under sections 4692(d) and 4695 for each month.

(c) EXPENDITURES.—Amounts in the trust fund shall be available for the following purposes:
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“(1) Carbon fee administrative expenses.—So much of the expenses as are necessary to administer sections 4692 through 4695 for any year as does not to exceed 0.60 percent of the amounts appropriated to the Climate Action Rebate Fund for the previous year.

“(2) Climate action rebate fund administrative expenses.—So much of the expenses necessary to administer the Climate Action Rebate Fund for each year, as does not exceed—

“(A) in the case of the first 5 fiscal years ending after the date of the enactment of this section, the administrative expenses for any year may not exceed 5 percent of amounts appropriated to the Climate Action Rebate Fund during such year, and

“(B) in the case of any fiscal year thereafter, 1.5 percent of the 5-year rolling average of the amounts appropriated to the Climate Action Rebate Fund.

“(3) Climate action rebate payments.—

“(A) In general.—For each fiscal year, the amounts remaining in the Climate Action Rebate Fund following payment of expenses
under paragraphs (1) and (2) shall be apportioned as follows:

“(i) 70 percent of such amounts for the purposes described in subsection (d),

“(ii) 20 percent of such amounts for the purposes described in subsection (e),

“(iii) 5 percent of such amounts for the purposes described in subsection (f), and

“(iv) 5 percent of such amounts for the purposes described in subsection (g).

“(d) CARBON DIVIDEND.—

“(1) IN GENERAL.—From the amounts in the Carbon Dividend Trust Fund made available under subsection (c)(3)(A)(i) for any year, the Secretary shall, for each month beginning more than 270 days after the date of the enactment of the Climate Action Rebate Act of 2019, make carbon dividend payments to each eligible individual.

“(2) PRO-RATA SHARE.—A carbon dividend payment is one pro-rata share for each adult and half a pro-rata share for each child under 19 years old of amounts available for the month in the Climate Action Rebate Fund.
“(3) ELIGIBLE INDIVIDUAL.—The term ‘eligible individual’ means, with respect to any month, any natural living person who has a valid Social Security number or taxpayer identification number and is a citizen or lawful resident of the United States. The Secretary is authorized to verify an individual’s eligibility to receive a carbon dividend payment.

“(4) PHASEOUT.—

“(A) IN GENERAL.—In the case of any taxpayer whose modified adjusted gross income for the most recent taxable year for which a return has been filed exceeds the threshold amount, the amount of the carbon dividend otherwise payable to any household member of the taxpayer under this subsection shall be reduced (but not below zero) by a dollar amount equal to 5 percent of such dividend (as determined before application of this paragraph) for each $1,000 (or fraction thereof) by which such taxpayer’s modified adjusted gross income exceeds the threshold amount.

“(B) DEFINITIONS.—For purposes of this paragraph—

“(i) MODIFIED ADJUSTED GROSS INCOME.—The term ‘modified adjusted gross
income’ means adjusted gross income increased by any amount excluded from gross income under section 911, 931, or 933.

“(ii) Household member.—The term ‘household member of the taxpayer’ means the taxpayer, the taxpayer’s spouse, and any dependent of the taxpayer.

“(iii) Threshold amount.—The term ‘threshold amount’ means—

“(I) $130,000 in the case of a joint return,

“(II) $80,000 in the case of an individual who is not married, and

“(III) $65,000 in the case of a married individual filing a separate return.

“(C) Regulations.—The Secretary shall prescribe such regulations, and other guidance, as may be necessary to carry out the purposes of this paragraph, including establishment of rules for eligible individuals who have not filed a recent tax return.
“(5) Fee treatment of payments.—Amounts paid under this subsection shall be includible in gross income.

“(6) Federal programs and federal assisted programs.—The carbon dividend amount received by any eligible individual shall not be taken into account as income and shall not be taken into account as resources for purposes of determining the eligibility of such individual or any other individual for benefits or assistance, or the amount or extent of benefits or assistance, under any Federal program or under any State or local program financed in whole or in part with Federal funds.

“(7) Advance payment.—The Secretary shall transfer to the Climate Action Rebate Fund such amounts as are necessary for the disbursement of an advanced carbon dividend to all eligible individuals as follows:

“(A) An advanced carbon dividend shall be the same as the anticipated first carbon dividend required to be distributed under paragraph (1) and shall be distributed the month prior to the first collection of the carbon fee.

“(B) Total amounts disbursed as advanced carbon dividends shall be deducted from the
carbon dividends on a pro-rata basis over the first 3 years after the disbursement of the first carbon dividends.

“(e) INFRASTRUCTURE.—From the amounts in the Carbon Dividend Trust Fund made available under subsection (c)(3)(A)(ii) for any year, the Secretary shall transfer such amounts as follows:

“(1) 50 percent to the Highway Trust Fund under section 9503, with—

“(A) 80 percent of such amount allocated to the Highway Account for the payment of obligations incurred in carrying out Federal-aid highway and highway safety construction programs authorized under title 23, United States Code, and

“(B) 20 percent of such amount allocated to the Mass Transit Account for the payment of obligations incurred in carrying out transit programs authorized under—

“(i) chapter 53 of title 49, United States Code,

“(ii) section 20005(b) of the Federal Public Transportation Act of 2012 (49 U.S.C. 5303 note; Public Law 112–141), and
“(iii) section 3006(b) of the Federal Public Transportation Act of 2015 (49 U.S.C. 5310 note; Public Law 114–94).

“(2) 2.5 percent to the Department of Transportation for national infrastructure investments for innovative multimodal projects (also known as the Better Utilizing Investments to Leverage Development (BUILD) Transportation discretionary grant program).

“(3) 2.5 percent to the Department of Transportation to make grants to the National Railroad Passenger Corporation for intercity passenger rail infrastructure, as authorized by section 11101 of the Passenger Rail Reform and Investment Act of 2015 (title XI of division A of Public Law 114–94) and sections 22907 and 24911 of title 49, United States Code.

“(4) 5 percent to the Airport and Airway Trust Fund under section 9502 for the payment of obligations incurred in carrying out aviation programs authorized under subtitle VII of title 49, United States Code.

“(5) 2.5 percent to the Department of Transportation to support deployment of alternative fuel
vehicles, including electric vehicle charging stations
and hydrogen fueling infrastructure.

“(6) 5 percent to the Environmental Protection
Agency for drinking water infrastructure programs
under the Safe Drinking Water Act (42 U.S.C. 300f
et seq.) and wastewater and clean water infrastruc-
ture programs under the Federal Water Pollution
Control Act (33 U.S.C. 1251 et seq.).

“(7) 2.5 percent to the Secretary of Agriculture
for rural water or wastewater grants or direct or
guaranteed loans under the Consolidated Farm and
Rural Development Act (7 U.S.C. 1921 et seq.).

“(8) 1.5 percent to the Federal Communications Commission to expand broadband access in
rural areas.

“(9) 5 percent to the Army Corps of Engineers
for water resources development projects.

“(10) 2.5 percent for the Community Develop-
ment Block Grant program under title I of the
Housing and Community Development Act of 1974
(42 U.S.C. 5401 et seq.) to assist States, units of
general local government, and Indian tribes, as those
terms are defined in section 101 of such Act (42
U.S.C. 5301), with planning and implementation of
projects to support lowering emissions, and climate
impact adaptation, including improving infrastructure resilience, increasing transit and housing density, and local economic development.

“(11) 2.5 percent to the National Oceanic and Atmospheric Administration for coastal resiliency programs and ocean observing and monitoring programs.

“(12) 2.5 percent to the Department of the Interior for maintenance and infrastructure upgrades on public land.

“(13) 1.5 percent to the Hazardous Substance Superfund established under section 9507.

“(14) 1.5 percent to the Abandoned Mine Reclamation Fund created by section 401 of the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1231).

“(15) Notwithstanding subsection (b)(2) of section 303 of Public Law 96–451 (16 U.S.C. 1606a), 1.5 percent to the Reforestation Trust Fund established by subsection (a) of that section.

“(16) 2.5 percent to the Department of Energy for energy efficiency programs, including—

“(A) the Weatherization Assistance Program for Low-Income Persons established under part A of title IV of the Energy Con-
reservation and Production Act (42 U.S.C. 6861 et seq.),

“(B) State energy programs,

“(C) the Clean Cities program,

“(D) support for efficiency upgrades, including energy savings performance contracting, in Federal buildings, and

“(E) the creation and initial funding of an Energy Efficiency State Revolving Fund, to be modeled after—

“(i) State water pollution control revolving funds established under title VI of the Federal Water Pollution Control Act (33 U.S.C. 1381 et seq.), and

“(ii) State drinking water treatment revolving loan funds established under section 1452 of the Safe Drinking Water Act (42 U.S.C. 300j–12).

“(17) 2.5 percent to the Secretary of Health and Human Services for a new program within the partnerships for State and regional hospital preparedness program under section 319C–2 of the Public Health Service Act (42 U.S.C. 247d–3b) to fund infrastructure and facility improvements that support the climate resiliency and preparedness of
hospitals and community health centers, including priority support for critical access hospitals (as defined in section 1861(mm)(1) of the Social Security Act (42 U.S.C. 1395x(mm)(1)), safety net hospitals (as defined by the Center for Medicare and Medicaid Innovation), and community health centers in places experiencing heavy air pollution.

“(18) 2.5 percent to the Secretary of Veterans Affairs to support resiliency and preparedness for Department of Veterans Affairs medical facilities.

“(19) 1.5 percent to the Secretary of Agriculture for—

“(A) energy programs under title IX of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8101 et seq.), and


“(20) 2.5 percent to the Secretary of Agriculture for the program established under section 3(b) of the Climate Action Rebate Act of 2019.
“(f) INNOVATION.—

“(1) IN GENERAL.—From the amounts in the Carbon Dividend Trust Fund made available under subsection (c)(3)(A)(iii) for any year, the Secretary shall transfer such amounts to the Secretary of Energy to carry out the purposes described in paragraph (2).

“(2) EXPENDITURES.—The Secretary of Energy shall use the funds transferred under paragraph (1) to support high-impact research, development, demonstration, technology transfer, and commercialization of technologies that reduce or eliminate greenhouse gas emissions, including—

“(A) energy storage technologies, including grid integration of storage,

“(B) carbon capture, utilization, and sequestration, including direct air capture,

“(C) next-generation nuclear technologies,

“(D) energy efficiency, including in buildings and the industrial sector,

“(E) electric grid modernization,

“(F) sustainable transportation, including hydrogen fuel cell and electric vehicles, and
“(G) the direct air capture program established under section 3(c) of the Climate Action Rebate Act of 2019.

“(3) SPECIFIC PROGRAMS.—In carrying out paragraph (2), the Secretary of Energy shall include support for offices under the Department of Energy and programs that support commercialization and innovative collaboration, including Advanced Research Projects Agency-Energy, the Loan Programs Office, energy innovation hubs, energy frontier research centers, regionally centered innovation programs, and the Manufacturing USA network.

“(4) COLLABORATION WITH OTHER AGENCIES.—The Secretary of Energy shall collaborate with other appropriate agencies, including by sharing the funds transferred under paragraph (1), to support overlapping areas of innovation, including—

“(A) biomass and bioenergy with the Department of Agriculture,

“(B) nature-based solutions for carbon sequestration with the Departments of Agriculture, Commerce, and the Interior,

“(C) export of technologies that will help other countries reduce or eliminate greenhouse
gas emissions with the Departments of Commerce and State, and

“(D) other such collaborations as determined necessary by the Secretary of Energy to achieve the goals outlined in paragraph (2).

“(g) TRANSITION ASSISTANCE.—From the amounts in the Carbon Dividend Trust Fund made available under subsection (c)(3)(A)(iv) for any year, the Secretary shall transfer such amounts as follows:

“(1) 40 percent to the Department of Labor for the establishment and initial funding of a program, to be modeled after the trade adjustment assistance for workers program under chapter 2 of title II of the Trade Act of 1974 (19 U.S.C. 2271 et seq.), to assist workers in industries that may be displaced as a result of the fees imposed under sections 4692 and 4694, including assistance with respect to—

“(A) wage insurance,
“(B) relocation expenses,
“(C) early retirement,
“(D) pension and health benefits, including (if applicable) the 1974 UMWA Pension Plan (as defined in section 9701(a)(3)),
“(E) worker retraining, and
“(F) other assistance that the Secretary of Labor determines appropriate.

“(2) 20 percent to the Department of Energy to make grants to States, territories, and tribes in order to assist communities facing significantly increased energy costs as a result of the fees imposed under sections 4692 and 4694, in particular rural and low-income communities.

“(3) 10 percent to the Department of Health and Human Services for the low-income home energy assistance program established under the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.).

“(4) 30 percent to the Economic Development Administration for programs that support economic development and diversity in communities and areas dependent on industries that may be affected by the fees imposed under sections 4692 and 4694, including—

“(A) the Economic Adjustment Assistance Program, and

“(B) Partnerships for Opportunity and Workforce and Economic Revitalization.

“(h) FUNDING REQUIREMENTS.—
“(1) IN GENERAL.—All uses of funding transferred under subsection (e) through (g) shall be in accordance with practices that protect American manufacturing, pay prevailing wages and benefits, and further reduce emissions when possible.

“(2) USE OF AMERICAN GOODS.—

“(A) IN GENERAL.—None of the funds made available by this section may be used for a project for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, cement, and manufactured goods used in the project are produced in the United States.

“(B) EXCEPTION.—Subparagraph (A) shall not apply in any case or category of cases in which the head of the Federal department or agency involved finds that—

“(i) applying subparagraph (A) would be inconsistent with the public interest,

“(ii) iron, steel, cement, and the relevant manufactured goods are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality, or
“(iii) inclusion of iron, steel, cement, and manufactured goods produced in the United States will increase the cost of the overall project by more than 25 percent.

“(C) PUBLICATION.—If the head of a Federal department or agency determines that it is necessary to waive the application of subparagraph (A) based on a finding under subparagraph (B), the head of the department or agency shall publish in the Federal Register a detailed written justification as to why the provision is being waived.

“(D) INTERNATIONAL AGREEMENTS.—This section shall be applied in a manner consistent with United States obligations under international agreements.

“(3) WAGE RATE REQUIREMENTS.—Notwithstanding any other provision of law, all laborers and mechanics employed by contractors and subcontractors on projects funded directly by or assisted in whole or in part by the Climate Act Rebate Fund shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title
40, United States Code. With respect to the labor standards specified in this paragraph, the Secretary of Labor shall have the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267; 5 U.S.C. App.) and section 3145 of title 40, United States Code.

“(4) ENERGY EFFICIENCY STATE REVOLVING FUND.—For fiscal year 2020 and each fiscal year thereafter, the labor standards specified in paragraph (3) shall apply to projects assisted in whole or in part with recycled funds, including principal repayments and interest earnings, made available by the Energy Efficiency State Revolving Fund established pursuant to subsection (e)(16)(E).

“(5) EMISSIONS REDUCTIONS.—Whenever possible, materials used for projects funded by this section shall be chosen with respect to minimizing their lifecycle emissions, as determined by the Administrator.

“(6) NATURAL INFRASTRUCTURE.—Whenever possible, projects funded by subsection (e) shall prioritize consideration of natural features and nature-based features, as defined in section 1184(a) of the Water Infrastructure Improvements for the Nation Act (33 U.S.C. 2289a(a)).
“(i) Sunset.—

“(1) In General.—For any fiscal year beginning after the date on which the Secretary determines that—

“(A) pursuant to section 4693, the emissions of greenhouse gases from covered fuels for the most recent calendar year is equal to or less than 10 percent of the greenhouse gas emissions from covered fuels for calendar year 2017; and

“(B) the monthly carbon dividend payment made to an adult who is an eligible individual pursuant to subsection (d) has been less than $20 for the preceding 3 calendar years,

no amounts may be transferred from Climate Action Rebate Fund for any purpose described in subsection (c)(3), and any amounts remaining in the Climate Action Rebate Fund shall be transferred to the general fund of the Treasury of the United States.

“(2) Inflation Adjustment.—In the case of any year beginning after 2020, the dollar amount under paragraph (1)(B) shall be increased by an amount equal to—

“(A) such dollar amount, multiplied by
“(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2017’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

“(j) ADMINISTRATIVE AUTHORITY.—The Secretary, in coordination with the heads of other relevant Federal agencies, shall promulgate rules, guidance, and regulations useful and necessary to implement the Climate Action Rebate Fund.”.

(b) REVENUES DEDICATED TO TRUST FUNDS.—

(1) AIRPORT AND AIRWAY TRUST FUND.—Section 9502(b)(1) of the Internal Revenue Code of 1986 is amended—

(A) by inserting “and fees” after “the taxes”, and

(B) by striking “and” at the end of subparagraph (C) and by inserting after subparagraph (D) the following new subparagraph:

“(E) section 9512(e)(4) (relating to carbon fee), and”.

(2) HIGHWAY TRUST FUND.—Section 9503(b)(1) of the Internal Revenue Code of 1986 is amended—
(A) by inserting “and fees” after “equiva-

tent to the taxes”, and

(B) by striking “and” at the end of sub-
paragraph (D), by striking the period at the
end of subparagraph (E) and inserting “, and”,
and by inserting after subparagraph (E) the
following new subparagraph:

“(F) section 9512(e)(1) (relating to carbon
fee).”.

(c) CLERICAL AMENDMENT.—The table of sections
for subchapter A of chapter 98 of such Code is amended
by adding at the end the following new item:

“Sec. 9512. Climate Action Rebate Fund.”.

SEC. 5. DISCLOSURE OF RETURN INFORMATION.

Section 6103(l) of the Internal Revenue Code of 1986
is amended by adding at the end the following new para-
graphs:

“(23) DISCLOSURE OF RETURN INFORMATION
RELATING TO CARBON DIVIDEND PAYMENTS.—

“(A) DEPARTMENT OF TREASURY.—Re-
turn information with respect to any taxpayer
shall, without written request, be open to in-
spection by or disclosure to officers and employ-
ees of the Department of the Treasury whose
official duties require such inspection or disclo-
sure for purposes of administering section
9512(d) (relating the carbon dividend payments from the Climate Action Rebate Fund).

“(B) COMMISSIONER OF SOCIAL SECURITY.—The Commissioner of Social Security shall, on written request, disclose to officers and employees of the Department of the Treasury return information which has been disclosed to the Social Security Administration as is necessary to administer section 9512(d).

“(C) RESTRICTION ON DISCLOSURE.—Information disclosed under this paragraph shall be disclosed only for purposes of, and to the extent necessary in, carrying out section 9512(d).”.

SEC. 6. EFFECTIVE DATE.

The amendments made by this Act shall apply to any calendar year beginning after the date of enactment of this Act.

SEC. 7. PRINCIPLE OF INTERPRETATION.

In the case of ambiguity, the texts of this statute and its amending texts shall be interpreted so as to allow for the most effective abatement of greenhouse gas emissions.

SEC. 8. NO PREEMPTION OF STATE LAW.

Nothing in this Act or any regulations promulgated under this Act shall preempt or supersede, or be inter-
interpreted to preempt or supersede, any State law or regulation.