

119TH CONGRESS
1ST SESSION

S. 3523

To amend the Internal Revenue Code of 1986 to create a carbon border adjustment based on carbon intensity, and for other purposes.

IN THE SENATE OF THE UNITED STATES

DECEMBER 17, 2025

Mr. WHITEHOUSE (for himself, Mr. BLUMENTHAL, Mr. HEINRICH, Mr. SCHATZ, Mr. WELCH, and Mr. VAN HOLLEN) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to create a carbon border adjustment based on carbon intensity, 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.

4 This Act may be cited as the “Clean Competition
5 Act”.

6 SEC. 2. CARBON INTENSITY CHARGE.

7 (a) IN GENERAL.—Chapter 38 of the Internal Rev-
8 enue Code of 1986 is amended by adding at the end the
9 following new subchapter:

1 **“Subchapter E—Carbon Intensity Charge**

“Sec. 4691. Calculation of carbon intensity.

“Sec. 4692. Imposition of carbon intensity charge.

“Sec. 4693. Rebate.

“Sec. 4694. Carbon clubs.

“Sec. 4695. Definitions.

2 **“SEC. 4691. CALCULATION OF CARBON INTENSITY.**

3 “(a) DOMESTIC REPORTING REQUIREMENTS.—Not
4 later than June 30, 2026, and annually thereafter, any
5 covered entity shall, for each eligible facility operated by
6 such entity, report to the Secretary, the Administrator,
7 and the Secretary of Energy with respect to the following:

8 “(1) Any information required to be reported to
9 the Administrator under the Greenhouse Gas Re-
10 porting Program (as would be required to be re-
11 ported notwithstanding any other provision of law
12 prohibiting the implementation of or use of funds for
13 such requirements) for the preceding calendar year.

14 “(2) The total amount of electricity used at
15 such facility during the preceding calendar year, in-
16 cluding—

17 “(A) whether such electricity was provided
18 through the electric grid or a dedicated genera-
19 tion source,

20 “(B) the terms of any power purchase
21 agreements with respect to such facility, and

22 “(C) with respect to any electricity which
23 was not provided through the electric grid, the

1 greenhouse gas emissions associated with the
2 production of such electricity, provided that
3 such emissions are not reported pursuant to
4 paragraph (1).

5 “(3) The total relevant quantity of each covered
6 primary good produced at such facility during the
7 preceding calendar year.

8 “(4) Any other information determined nec-
9 essary by the Secretary for purposes of the adminis-
10 tration of subsection (b).

11 “(b) CALCULATION.—

12 “(1) CARBON INTENSITY.—

13 “(A) ELIGIBLE FACILITY.—For purposes
14 of this subchapter, for each calendar year, the
15 carbon intensity with respect to any eligible fa-
16 cility shall be an amount equal to the quotient
17 of—

18 “(i) the covered emissions (as deter-
19 mined under paragraph (2)) with respect
20 to such facility, divided by

21 “(ii) the total relevant quantity of cov-
22 ered primary goods produced at such facil-
23 ity during the preceding calendar year.

24 “(B) COVERED NATIONAL INDUSTRY.—

1 “(i) IN GENERAL.—For purposes of
2 this subchapter, the carbon intensity with
3 respect to any covered national industry
4 shall be an amount (as determined by the
5 Secretary) equal to the quotient of—

6 “(I) an amount equal to the sum
7 of the covered emissions (as deter-
8 mined under paragraph (2)) with re-
9 spect to all eligible facilities which
10 produce covered primary goods which
11 are included within such covered na-
12 tional industry for the calendar year,
13 divided by

14 “(II) the total relevant quantity
15 of covered primary goods within such
16 covered national industry which are
17 produced at all such eligible facilities
18 during such year.

19 “(ii) COVERED PRIMARY GOODS DE-
20 TERMINATION.—For purposes of this sub-
21 chapter—

22 “(I) a covered primary good shall
23 initially be included within the covered
24 national industry with which it is as-
25 sociated under the most recent con-

1 cordance table published by the Bu-
2 reau of the Census comparing classi-
3 fications under the Harmonized Tariff
4 System and the North American In-
5 dustry Classification System, and

6 “(II) the Secretary (in coordina-
7 tion with the relevant parties) may
8 subsequently determine which types of
9 eligible facilities or processes within
10 facilities (and any related covered pri-
11 mary goods) are included or excluded
12 within a covered national industry,
13 provided that such determination—

14 “(aa) facilitates a fair com-
15 parison of carbon intensities
16 across similar eligible facilities
17 (based on a comparison of the
18 energy-intensive processes and
19 the material outputs of such fa-
20 cilities),

21 “(bb) does not meaningfully
22 reduce the scope of greenhouse
23 gas emissions covered by this
24 subchapter, and

1 “(cc) ensures that each cov-
2 ered primary good is only in-
3 cluded within a single covered na-
4 tional industry.

5 “(iii) EXCLUDED FACILITIES.—In the
6 case of any eligible facility which, pursuant
7 to clause (ii), is excluded from a covered
8 national industry and is not included in
9 any other covered national industry, such
10 facility shall be deemed to not be included
11 in any covered national industry.

12 “(C) PETITION FOR SPECIFIC GOODS.—

13 “(i) IN GENERAL.—In the case of any
14 covered national industry which produces
15 more than 1 covered primary good, a cov-
16 ered entity may file a petition with the
17 Secretary to—

18 “(I) remove 1 or more covered
19 primary goods from inclusion under
20 any covered national industry,

21 “(II) establish a new covered na-
22 tional industry for purposes of the
23 goods described in subclause (I),

24 “(III) determine the carbon in-
25 tensity with respect to the covered na-

14 “(cc) a set of material char-
15 acteristics, or

1 “(I) the chemical, physical, or
2 mechanical production processes for
3 such good or goods are substantially
4 different as compared to other covered
5 primary goods produced within the
6 same covered national industry,

7 “(II) the properties of such good
8 or goods are distinct such that its
9 uses cannot be easily replaced by
10 other covered primary goods produced
11 within the same covered national in-
12 dustry, and

13 “(III) the carbon intensity deter-
14 mined with respect to such good or
15 goods is at least 25 percent greater
16 than the carbon intensity determined
17 for other covered primary goods pro-
18 duced within the same covered na-
19 tional industry.

20 “(iii) RECALCULATION.—In the case
21 of any petition described in clause (i)
22 which is approved by the Secretary pursu-
23 ant to clause (ii), the Secretary (in coordi-
24 nation with the Administrator) shall rede-
25 termine the carbon intensity, as well as the

1 baseline carbon intensity, with respect to
2 the covered national industry or industries
3 which previously included production of the
4 covered primary good or goods which are
5 the subject of such petition by excluding
6 any covered emissions associated with the
7 production of such good or goods for pur-
8 poses of the determination made under
9 subparagraph (B) for such industry.

“(iv) GOODS-LEVEL DATA.—In the case of any petition described in clause (i) which is approved by the Secretary pursuant to clause (ii), the Secretary (in coordination with the Administrator) shall use a methodology for determining the carbon intensity of the covered primary good or subset of primary goods (as determined using the eligible facility information reported under subsection (a)), and shall publish the methodology and the results of such determination, in a manner which—

1 “(II) includes the related chem-
2 ical, physical, or mechanical produc-
3 tion processes responsible for dif-
4 ferences in carbon intensity and cov-
5 ered emissions, and

6 “(III) prioritizes ease of adminis-
7 tration and compliance.

8 “(D) DETERMINATION.—Any determina-
9 tion of carbon intensity under this paragraph
10 shall be made by the Secretary in coordination
11 with the Administrator and the Secretary of
12 Energy.

13 “(E) RELEVANT QUANTITY.—For purposes
14 of this subchapter, the relevant quantity of a
15 covered primary good shall be determined based
16 on—

17 “(i) the weight (expressed in metric
18 tons) of such good, or

19 “(ii) if the Secretary, in coordination
20 with the Administrator and the Secretary
21 of Energy, determines that using an alter-
22 native physical unit of measurement (such
23 as volume at a specific pressure or energy
24 content) would better facilitate a fair com-
25 parison of carbon intensities across the

1 covered primary goods in the covered na-
2 tional industry, an alternate physical unit
3 of measurement.

4 “(2) COVERED EMISSIONS.—

5 “(A) IN GENERAL.—For purposes of this
6 subsection, for each calendar year, the amount
7 of covered emissions with respect to any eligible
8 facility shall be an amount (as determined by
9 the Secretary, in coordination with the Admin-
10 istrator) equal to the sum of—

11 “(i) the total greenhouse gas emis-
12 sions associated with the production of cov-
13 ered primary goods at such facility during
14 the preceding calendar year (as reported
15 pursuant to subsection (a)), plus

16 “(ii) the total greenhouse gas emis-
17 sions associated with any electricity used
18 at such facility for the production of such
19 goods during the preceding calendar year.

20 “(B) EMISSIONS FOR ELECTRICITY
21 USED.—

22 “(i) IN GENERAL.—For purposes of
23 subparagraph (A)(ii), the amount of green-
24 house gas emissions associated with elec-
25 tricity provided through the electric grid

1 shall be determined based on the average
2 carbon intensity for the regional grid in
3 which the eligible facility is located for the
4 preceding calendar year.

5 “(ii) **EXCEPTION.**—In the case of an
6 eligible facility which is subject to a power
7 purchase agreement (or its foreign equiva-
8 lent) which guarantees that any electricity
9 provided under such agreement is gen-
10 erated within the same hour as it is used
11 by such facility and within the same re-
12 gional transmission zone (or its foreign
13 equivalent) as such facility—

14 “(I) clause (i) shall not apply
15 with respect to the amount of elec-
16 tricity provided under such agree-
17 ment, and

18 “(II) the amount of greenhouse
19 gas emissions associated with such
20 electricity shall be determined based
21 on the average carbon intensity of the
22 electricity provided under such agree-
23 ment.

24 “(3) **IMPORTED GOODS.**—

1 “(A) IN GENERAL.—In the case of any
2 covered primary good which is imported into
3 the United States, the carbon intensity with re-
4 spect to such good shall be determined as fol-
5 lows:

6 “(i) ECONOMY-WIDE DEFAULT.—Sub-
7 ject to clauses (ii), (iii), and (iv), the car-
8 bon intensity with respect to the covered
9 primary good shall be equal to the product
10 of—

11 “(I) an amount equal to the
12 quotient of—

13 “(aa) the carbon intensity of
14 the general economy of the coun-
15 try of origin of such good, di-
16 vided by

17 “(bb) the carbon intensity of
18 the general economy of the
19 United States, multiplied by

20 “(II) the carbon intensity of the
21 covered national industry in the
22 United States for such good for the
23 preceding calendar year.

24 “(ii) INDUSTRY DATA.—If the Sec-
25 retary (in coordination with the relevant

1 parties) determines that transparent,
2 verifiable, and reliable information is avail-
3 able with respect to any covered national
4 industry in the country of origin of the
5 covered primary good and that such coun-
6 try of origin is a transparent market econ-
7 omy, the carbon intensity with respect to
8 the covered primary good shall be equal to
9 the relevant covered national industry car-
10 bon intensity of the country of origin of
11 such good.

1 chapter, with respect to any country, the carbon
2 intensity of the general economy of such coun-
3 try shall be an amount equal to the quotient
4 of—

5 “(i) the greenhouse gas emissions of
6 such country for the most recent year for
7 which the Secretary determines there is re-
8 liable information, divided by

9 “(ii) the gross domestic product of
10 such country for the year described in
11 clause (i).

12 “(C) PETITION FOR FOREIGN MANUFAC-
13 TURER DATA.—

14 “(i) IN GENERAL.—In the case of any
15 entity which imports a covered primary
16 good for which the carbon intensity can be
17 determined under subparagraph (A)(ii)
18 from a country of origin where there is no
19 evidence of inter-firm resource shuffling,
20 such entity may file a petition with the
21 Secretary to determine the charge under
22 section 4692, if any, based on the average
23 carbon intensity with respect to the pro-
24 duction of such good by the manufacturer
25 within the country of origin.

1 “(ii) AGGREGATION RULE.—For pur-
2 poses of this subparagraph, the average
3 carbon intensity with respect to the pro-
4 duction of a covered primary good shall be
5 determined based upon greenhouse gas
6 emission and production data from all fa-
7 cilities which produce such good which are
8 under common control of the manufacturer
9 of such good, including any subsidiary,
10 parent company, or joint venture of such
11 manufacturer within the country of origin.

12 “(iii) DATA PROVISION.—In the case
13 of an entity which files a petition described
14 in clause (i), such entity shall provide the
15 Secretary with an environmental product
16 declaration containing—

17 “(I) any information which would
18 otherwise be required to be reported
19 under subsection (a) if the facilities
20 which produced the covered primary
21 good to which the petition applies
22 were subject to the reporting require-
23 ments under the Greenhouse Gas Re-
24 porting Program, and

1 “(II) any other information
2 which is necessary (as determined by
3 the Secretary, in coordination with the
4 relevant parties) to calculate the car-
5 bon intensity of the covered primary
6 good in accordance with any relevant
7 methodologies for allocating the car-
8 bon intensity of the covered primary
9 good under paragraph (1)(C)(iv).

10 “(iv) DATA STANDARDS.—The Sec-
11 retary shall only grant such a petition if
12 the information provided pursuant to
13 clause (iii) meets the quality, verification,
14 and completeness requirements of the
15 equivalent Federal carbon accounting rules
16 and standards that would apply if the cov-
17 ered primary good were produced domesti-
18 cally.

19 “(D) INPUTS.—With respect to any cov-
20 ered primary good which is imported into the
21 United States and for which other covered pri-
22 mary goods (other than petroleum, natural gas,
23 coal, or any waste or scrap product) from other
24 covered national industries were used as inputs
25 in the production of the imported covered pri-

1 mary good, the quantity of such inputs used in
2 the production of the imported covered primary
3 good shall be treated as separate covered pri-
4 mary goods that, without double-counting emis-
5 sions, shall be considered to be imported for
6 purposes of this subchapter.

7 “(E) EXCLUSION.—

8 “(i) IN GENERAL.—Subject to clause
9 (ii), in the case of any covered primary
10 good (including any covered primary good
11 which is an input of a finished good) which
12 is imported into the United States and was
13 produced in a relatively least developed
14 country (as described in section 124 of the
15 Foreign Assistance Act of 1961 (22 U.S.C.
16 2151v)), this paragraph shall not apply.

17 “(ii) EXCEPTION.—Clause (i) shall
18 not apply if the country described in such
19 clause produces at least 3 percent of total
20 global exports by value of the covered pri-
21 mary good.

22 “(F) INTER-FIRM RESOURCE SHUF-
23 FLING.—For purposes of this paragraph, the
24 term ‘inter-firm resource shuffling’ means any
25 buying, selling, trading, exchanging, or other

1 transfer of control of production facilities be-
2 tween entities based on the carbon intensity of
3 such facilities for the purpose of creating enti-
4 ties with relatively lower carbon intensity and
5 entities with relatively higher carbon intensity.

6 “(G) TRADING PARTNERS.—For countries
7 with which the United States has agreements
8 that facilitate trade, commit the parties to re-
9 frain from imposing new trade barriers, and es-
10 tablish high standards for labor and environ-
11 mental protection and human rights, the Sec-
12 retary (working with the relevant parties) shall
13 make best efforts to work with the government
14 of such country to improve data sharing, accu-
15 racy, and transparency such that imports of
16 covered primary goods from such country have
17 their carbon intensity determined under sub-
18 paragraph (A)(ii).

19 “(c) PUBLICATION.—The Secretary (in coordina-
20 tion with the relevant parties) shall—

21 “(1) annually publish any carbon intensity
22 which has been determined under subsection (b)
23 with respect to any eligible facility, covered national
24 industry, covered primary good, foreign manufac-
25 turer, or country of origin (including the physical

1 unit of measurement which serves as the relevant
2 quantity with respect to any covered primary good),
3 “(2) publish (and update, as appropriate) a list
4 of each covered primary good, as categorized by the
5 covered national industry in which such good is in-
6 cluded, and
7 “(3) publish (and update, as appropriate) a list
8 of each good that qualifies as a finished good, as de-
9 termined by the Secretary pursuant to section
10 4695(9).

11 **“SEC. 4692. IMPOSITION OF CARBON INTENSITY CHARGE.**

12 “(a) IN GENERAL.—

13 “(1) IMPORTATION OF GOODS.—

14 “(A) IN GENERAL.—

15 “(i) COVERED PRIMARY GOODS.—Sub-
16 ject to section 4694, in the case of any
17 covered primary good imported into the
18 United States during any calendar year be-
19 ginning after December 31, 2025, there is
20 hereby imposed a charge in an amount
21 (rounded to the nearest dollar) equal to
22 the product of—

23 “(I) the amount (if any) by
24 which the carbon intensity determined
25 under section 4691(b)(3) with respect

1 to such good exceeds an amount equal
2 to the applicable percentage of the
3 baseline carbon intensity of the cov-
4 ered national industry which includes
5 such good, multiplied by

6 “(II) the total relevant quantity
7 of the good imported into the United
8 States, multiplied by

9 “(III) the cost of pollution (as
10 determined under subsection (c)).

11 “(ii) FINISHED GOODS.—

12 “(I) IN GENERAL.—Subject to
13 section 4694, in the case of any fin-
14 ished good which is imported into the
15 United States during any calendar
16 year beginning after December 31,
17 2027, there is hereby imposed a
18 charge in an amount equal to the sum
19 of the amounts determined under sub-
20 clause (II) with respect to each cov-
21 ered primary good which is an input
22 of such finished good.

23 “(II) COMPONENTS.—The
24 amount determined under this sub-
25 clause with respect to any covered pri-

1 mary good which is an input of a fin-
2 ished good is an amount equal to the
3 product of—

4 “(aa) the amount (if any)
5 determined under clause (i)(I) if
6 such clause were applied with re-
7 spect to such good, multiplied by
8 “(bb) the total relevant
9 quantity of the covered primary
10 good, multiplied by
11 “(cc) the cost of pollution
12 (as determined under subsection
13 (c)).

14 “(B) CHARGE DUE.—The charge imposed
15 under this paragraph with respect to any goods
16 imported during any calendar year shall be paid
17 by the entity which imported such goods not
18 later than September 30 of the calendar year
19 subsequent to such year.

20 “(C) EXCLUSION.—

21 “(i) IN GENERAL.—Subject to clause
22 (ii), in the case of any covered primary
23 good (including any covered primary good
24 which is an input of a finished good) which
25 is imported into the United States and was

1 produced in a relatively least developed
2 country (as described in section 124 of the
3 Foreign Assistance Act of 1961 (22 U.S.C.
4 2151v)), this paragraph shall not apply.

21 the charge (or a portion of the charge which is
22 equivalent to the fees or costs imposed by the
23 foreign country) which would otherwise be im-
24 posed under this section with respect to covered

1 primary goods produced in such foreign country
2 may be waived.

3 “(2) DOMESTIC PRODUCTION OF COVERED PRI-
4 MARY GOODS.—

5 “(A) IN GENERAL.—In the case of any eli-
6 gible facility, for each calendar year beginning
7 after December 31, 2025, there is hereby im-
8 posed a charge in an amount (rounded to the
9 nearest dollar) equal to the product of—

10 “(i) the amount (if any) by which the
11 carbon intensity of such facility (as deter-
12 mined under section 4691(b)(1)(A)) ex-
13 ceeds an amount equal to the applicable
14 percentage of the baseline carbon intensity
15 for the covered national industry (as deter-
16 mined under section 4691(b)) which in-
17 cludes any covered primary good produced
18 by such facility, multiplied by

19 “(ii) the total relevant quantity of any
20 covered primary goods produced by such
21 facility during such calendar year, multi-
22 plied by

23 “(iii) the cost of pollution (as deter-
24 mined under subsection (c)).

1 “(B) CHARGE DUE.—The charge imposed
2 under this paragraph with respect to any cal-
3 endar year shall be paid by the covered entity
4 not later than September 30 of the calendar
5 year subsequent to such year.

6 “(b) APPLICABLE PERCENTAGE.—For purposes of
7 paragraphs (1)(A) and (2)(A) of subsection (a), the appli-
8 cable percentage shall be—

9 “(1) for calendar year 2026, 100 percent,
10 “(2) for calendar years 2027 through 2030, the
11 applicable percentage for the preceding calendar
12 year, reduced by 2.5 percentage points,

13 “(3) for calendar years 2031 through 2047, the
14 applicable percentage for the preceding calendar
15 year, reduced by 5 percentage points, and

16 “(4) for any calendars years subsequent to cal-
17 endar year 2047, 0 percent.

18 “(c) COST OF POLLUTION.—

19 “(1) IN GENERAL.—For purposes of para-
20 graphs (1)(A) and (2)(A) of subsection (a), the cost
21 of pollution shall be—

22 “(A) for calendar year 2026, \$60, and

23 “(B) for each calendar year subsequent to
24 the calendar year described in subparagraph
25 (A), an amount equal to the sum of—

1 “(i) the cost of pollution for the pre-
2 ceding year, plus

3 “(ii) an amount equal to—

4 “(I) the amount described in
5 clause (i), multiplied by

6 “(II) the percentage by which the
7 CPI for the preceding calendar year
8 exceeds the CPI for the second pre-
9 ceding calendar year, increased by 6
10 percentage points.

11 “(2) CPI.—Rules similar to the rules of para-
12 graphs (4) and (5) of section 1(f) shall apply for
13 purposes of this subsection.

14 “(3) ROUNDING.—Any applicable amount de-
15 termined under this subsection which is not a mul-
16 tiple of \$1 shall be rounded to the nearest dollar.

17 “(d) CARBON REMOVAL.—

18 “(1) IN GENERAL.—With respect to the amount
19 of any charges imposed under subsection (a) during
20 a calendar year, such amount shall be reduced by an
21 amount (rounded to the nearest dollar) equal to the
22 product of—

23 “(A) the total amount (as measured in
24 metric tons) of greenhouse gas emissions which
25 are captured directly from the ambient air dur-

3 “(B) the cost of pollution (as determined
4 under subsection (c)).

5 “(2) REMOVAL REQUIREMENTS.—The require-
6 ments described under this paragraph with respect
7 to captured greenhouse gas emissions are that such
8 emissions are captured during the preceding cal-
9 endar year and—

13 “(B) utilized in a manner (other than for
14 enhanced oil or gas recovery and in compliance
15 with the regulations established under section
16 45Q(f)(5)) whereby such emissions are not com-
17 busted or otherwise emitted into the atmos-
18 phere.

19 “(3) DIRECT AIR CAPTURE.—For purposes of
20 this subsection, with respect to any greenhouse gas
21 emissions which are captured directly from the ambi-
22 ent air, the operator of the facility which captured
23 such emissions may—

1 “(A) apportion such emissions removal
2 amongst any eligible facilities which are under
3 common control of such operator, or

4 “(B) enter into binding and exclusive
5 agreements (which meet such requirements as
6 determined necessary by the Secretary to en-
7 sure fair and accurate emissions accounting)
8 with—

9 “(i) any operator of an eligible facil-
10 ity, for the purpose of permitting such op-
11 erator to reduce the charge imposed under
12 subsection (a) with respect to any eligible
13 facilities which are under common control
14 of such operator, or

15 “(ii) any importer of covered primary
16 goods, for the purpose of permitting such
17 operator to reduce the charge imposed
18 under subsection (a) with respect to any of
19 their imported covered primary goods.

20 “(4) LIMITATION.—For purposes of this sub-
21 section, in the case of any covered primary good im-
22 ported or produced at an eligible facility, the amount
23 of any reduction of the charge imposed under sub-
24 section (a) with respect to such covered primary

1 good or production of such good shall not exceed the
2 lesser of—

3 “(A) the amount of the charge imposed
4 under such subsection, or

5 “(B) an amount equal to the product of—
6 “(i) the first quartile in terms of car-
7 bon intensity with respect to facilities oper-
8 ating in the United States which produce
9 covered primary goods which are included
10 within the same covered national industry,
11 as determined by the Secretary (in coordi-
12 nation with the relevant parties), multi-
13 plied by

14 “(ii) the relevant quantity of such cov-
15 ered primary good, multiplied by
16 “(iii) the cost of pollution (as deter-
17 mined under subsection (c)).

18 “(5) ENSURING INTEGRITY.—The Secretary, in
19 coordination with the Administrator and the Sec-
20 retary of Energy, shall issue such regulations as
21 may be necessary to prevent double-counting and to
22 ensure the additionality and permanence of captured
23 emissions.

24 “(e) REGULATIONS AND TRADE ACTIONS.—The Sec-
25 retary shall issue such regulations as may be necessary

1 to carry out this subchapter and shall work closely with
2 the relevant parties to pursue such trade actions as may
3 be necessary to maintain the integrity and efficacy of this
4 subchapter.

5 **“SEC. 4693. REBATE.**

6 “(a) EXPORTATION OF COVERED PRIMARY GOOD.—
7 Subject to subsections (c) and (d), in the case of a person
8 who exports any covered primary good from the United
9 States which was produced in an eligible facility for which
10 a charge has been imposed under section 4692, a refund
11 shall be allowed to such person in the same manner as
12 if it were an overpayment of the charge imposed by such
13 section in an amount equal to the charge that would be
14 imposed under subsection (a)(1)(A)(i) of such section with
15 respect to such good.

16 “(b) EXPORTATION OF FINISHED GOOD.—Subject to
17 subsection (c), in the case of a person who exports any
18 finished good from the United States for which a charge
19 has been imposed under section 4692 on such finished
20 good or any of its components, a refund shall be allowed
21 to such person in the same manner as if it were an over-
22 payment of the charge imposed by such section in an
23 amount equal to the charge that would otherwise be im-
24 posed under such section with respect to such finished

1 good (as determined pursuant to subsection (a)(1)(A)(ii)
2 of such section).

3 “(c) EXCEPTION FOR CERTAIN FOREIGN POLI-
4 CIES.—In the case of any exports from the United States
5 for which a charge has been imposed under section 4692,
6 if—

7 “(1) the covered primary good or finished good
8 is imported by a country with policies that impose
9 tariffs, fees, or penalties on the emission of green-
10 house gases associated with imports, and

11 “(2) the country described in paragraph (1)
12 would credit the charge imposed under section 4692
13 against such tariffs, fees, or penalties,

14 any portion of a rebate otherwise allowable under this sec-
15 tion shall not be allowed to the extent that it would reduce
16 the amount credited by such country against such tariffs,
17 fees, or penalties.

18 “(d) PREVENTING DOMESTIC RESOURCE SHUF-
19 FLING.—For purposes of determining the amount of any
20 refund pursuant to subsection (a), the carbon intensity
21 with respect to the eligible facility shall be determined by
22 applying section 4691(b)(1)(A) by substituting ‘all eligible
23 facilities by the covered entity which produced the covered
24 primary good described in section 4693(a)(1)’ for ‘such
25 facility’ each place it appears in such section.

1 **“SEC. 4694. CARBON CLUBS.**

2 “(a) IN GENERAL.—To accelerate the pace of global
3 decarbonization and expand markets for goods with lower
4 carbon intensities, the President may, in coordination with
5 the Secretary and the relevant parties—

6 “(1) enter into negotiations with 1 or more for-
7 eign countries to establish or expand a carbon club
8 agreement under this section,

9 “(2) perform any enforcement activities nec-
10 essary to uphold the requirements under such agree-
11 ment, and

12 “(3) remove any foreign country from a carbon
13 club agreement if such country is determined to have
14 failed to comply with the requirements described in
15 subsection (b) or any additional requirements estab-
16 lished under such agreement.

17 “(b) REQUIREMENTS.—Any foreign country which
18 has entered into a carbon club agreement under this sec-
19 tion shall be subject to the following requirements:

20 “(1) Ensure its methodologies for the measure-
21 ment, reporting, and verification of the carbon inten-
22 sity of covered national industries match, or are
23 interoperable with, those used to determine the car-
24 bon intensity of covered national industries in the
25 United States.

1 “(2) Permit any other country which is a party
2 to such agreement to regularly validate the measure-
3 ment, reporting, and verification of the carbon inten-
4 sity of their covered national industries.

5 “(3) Ensure, in law and in practice, that all
6 workers in the territory of the country are guaran-
7 teed the following internationally recognized rights
8 and freedoms, including those guaranteed in the
9 Declaration on Fundamental Principles and Rights
10 at Work of the International Labour Organization
11 and its Follow-up:

12 “(A) Freedom of association and the effec-
13 tive recognition of the right to collective bar-
14 gaining.

15 “(B) Elimination of all forms of forced or
16 compulsory labor.

17 “(C) Effective abolition of child labor, a
18 prohibition on the worst forms of child labor,
19 and other labor protections for children and mi-
20 nors.

21 “(D) Elimination of discrimination in re-
22 spect of employment and occupation.

23 “(E) Acceptable conditions of work with
24 respect to minimum wages, hours of work, and
25 occupational safety and health.

1 “(4) Create or maintain, as well as implement
2 and verifiably enforce—

3 “(A) domestic policies (including any in-
4 vestments made possible by assistance provided
5 under section 2(d) of the Clean Competition
6 Act) which reduce the carbon intensity of its
7 covered national industries in a magnitude
8 greater than that which would feasibly be in-
9 duced as a result of—

10 “(i) the charges imposed under sec-
11 tion 4692(a)(1), or

12 “(ii) similar fees on the emissions of
13 greenhouse gasses associated with the pro-
14 duction of imports levied by other coun-
15 tries which are parties to such agreement,

16 “(B) trade policies, such as the charge im-
17 posed under section 4692(a)(1), which give
18 preference to goods with lower carbon inten-
19 sities,

20 “(C) domestic policies which reduce pollut-
21 ants other than greenhouse gases, and

22 “(D) policies that prevent such country
23 from facilitating transshipment from other
24 countries.

1 “(c) PRIORITIZATION.—In negotiations with respect
2 to any carbon club agreement under this section, the
3 President shall seek to reach an agreement with foreign
4 countries which prioritizes the following goals in the fol-
5 lowing order of importance:

6 “(1) Reduction of global greenhouse gas emis-
7 sions.

8 “(2) Securing access for the United States to
9 materials and inputs necessary to manufacture prod-
10 ucts with lower carbon intensity, particularly those
11 that are not feasibly produced domestically.

12 “(3) Strengthening the global market competi-
13 tiveness of lower carbon intensity goods.

14 “(4) Advancing the national security and diplo-
15 matic interests of the United States.

16 “(d) BENEFITS.—With respect to any country which
17 has entered into a carbon club agreement under this sec-
18 tion, if such country—

19 “(1) is not contributing to global industrial
20 overcapacity (as determined by the United States
21 Trade Representative, in coordination with other rel-
22 evant parties), the charge which would otherwise be
23 imposed under section 4692(a)(1) with respect to
24 covered primary goods produced in a foreign coun-
25 try, as well as any similar fees on the emissions of

1 greenhouse gasses associated with the production of
2 imports levied by other countries which are parties
3 to such agreement, may be waived, provided that
4 such country establishes or maintains policies that
5 reduce the emission of greenhouse gases from its
6 covered national industries with commensurate effect
7 as the carbon intensity charges imposed under sec-
8 tion 4692(a)(2), and

9 “(2) has a low-income economy, lower-middle-
10 income economy, or upper-middle-income economy
11 (as determined based on classification of the econ-
12 omy of such country by the World Bank), such
13 country shall receive preference for assistance pro-
14 vided under section 2(d) of the Clean Competition
15 Act.

16 “(e) PHASE-IN.—

17 “(1) IN GENERAL.—Subject to paragraph (2),
18 for purposes of any carbon club agreement under
19 this section, a country may limit application of such
20 agreement to certain covered national industries, in
21 which case any requirements or benefits provided
22 pursuant to such agreement shall be limited to such
23 industries and any covered products produced by
24 such industries.

1 “(2) LIMITATION.—Not later than 10 years
2 after the date on which any country enters into a
3 carbon club agreement under this section, all covered
4 national industries of such country shall be subject
5 to the requirements of such agreement.

6 **“SEC. 4695. DEFINITIONS.**

7 “For purposes of this subchapter—

8 “(1) ADMINISTRATOR.—The term ‘Administrator’
9 means the Administrator of the Environmental
10 Protection Agency.

11 “(2) BASELINE CARBON INTENSITY.—The term
12 ‘baseline carbon intensity’ means, with respect to a
13 covered national industry, the carbon intensity of the
14 covered national industry in the United States for
15 calendar year 2025.

16 “(3) CO2-E.—

17 “(A) IN GENERAL.—Subject to subparagraph
18 (B), the term ‘CO2-e’ means, with respect to a greenhouse gas, the quantity of such
19 gas that has a global warming potential equivalent to 1 metric ton of carbon dioxide, as determined pursuant to table A-1 of subpart A of
20 part 98 of title 40, Code of Federal Regulations, as in effect on the date of the enactment
21 of this subchapter.

1 “(B) METHANE.—In the case of methane,
2 the term ‘CO₂-e’ means the quantity of meth-
3 ane that has the same global warming potential
4 over a 20-year period as 1 metric ton of carbon
5 dioxide, as determined by the Administrator in
6 accordance with the findings of the most recent
7 Assessment Report of the Intergovernmental
8 Panel on Climate Change as of the date of en-
9 actment of this subchapter.

10 “(4) COVERED ENTITY.—The term ‘covered en-
11 tity’ means any entity which—

12 “(A) produces any covered primary good,
13 and

14 “(B) is required to report emissions of
15 greenhouse gases under the Greenhouse Gas
16 Reporting Program (or would be required to re-
17 port such emissions notwithstanding any other
18 provision of law prohibiting the implementation
19 of or use of funds for such requirements).

20 “(5) COVERED NATIONAL INDUSTRY.—

21 “(A) IN GENERAL.—Except as provided
22 under section 4691(b)(1)(B)(ii), the term ‘cov-
23 ered national industry’ means any industry
24 which is assigned a 6-digit NAICS code which
25 is included in any of the following clauses:

- 1 “(i) 211120 (petroleum extraction).
- 2 “(ii) 211130 (natural gas extraction).
- 3 “(iii) 212114 or 212115 (coal min-
- 4 ing).
- 5 “(iv) 322110 (pulp mills).
- 6 “(v) 322120 (paper mills).
- 7 “(vi) 322130 (paperboard mills).
- 8 “(vii) 324110 (petroleum refineries).
- 9 “(viii) 324121 (asphalt paving mix-
- 10 ture and block manufacturing).
- 11 “(ix) 324122 (asphalt shingle and
- 12 coating materials manufacturing).
- 13 “(x) 324199 (all other petroleum and
- 14 coal products manufacturing).
- 15 “(xi) 325110 (petrochemical manufac-
- 16 turing).
- 17 “(xii) 325120 (industrial gas manu-
- 18 facturing).
- 19 “(xiii) 325193 (ethyl alcohol manufac-
- 20 turing).
- 21 “(xiv) 325199 (other basic organic
- 22 chemical manufacturing).
- 23 “(xv) 325311 (nitrogenous fertilizer
- 24 manufacturing).

1 “(xvi) 327211, 327212, 327213, or
2 327215 (glass).

3 “(xvii) 327310 (cement).

4 “(xviii) 327410 or 327420 (lime and
5 gypsum product manufacturing).

6 “(xix) 331110 (iron and steel).

7 “(xx) 331313 or 331314 (aluminum).

8 “(B) EXCEPTIONS.—

9 “(i) INDUSTRIAL GAS MANUFAC-
10 TURING.—Subparagraph (A)(xii) shall
11 apply only with respect to the production
12 of hydrogen.

13 “(ii) OTHER BASIC ORGANIC CHEM-
14 ICAL MANUFACTURING.—Subparagraph
15 (A)(xiv) shall apply only with respect to
16 the production of adipic acid.

17 “(6) COUNTRY OF ORIGIN.—The term ‘country
18 of origin’ means, with respect to a covered primary
19 good, the country where an energy-intensive or emis-
20 sions-intensive process occurred that transformed
21 the inputs of the good into the covered primary
22 good.

23 “(7) COVERED PRIMARY GOOD.—The term ‘cov-
24 ered primary good’ means any good which is pro-

1 duced as part of a trade or business operating within
2 a covered national industry—

3 “(A) including (except as otherwise pro-
4 vided under subparagraphs (B)(ii) and (C) of
5 section 4691(b)(1)) any good classifiable under
6 the same 6-digit subheading of the Harmonized
7 Tariff Schedule of the United States, and

8 “(B) excluding any waste or scrap byprod-
9 ucts which are not sold.

10 “(8) ELIGIBLE FACILITY.—The term ‘eligible
11 facility’ means any facility (as such term is defined
12 for purposes of the Greenhouse Gas Reporting Pro-
13 gram) which is—

14 “(A) operated by a covered entity for the
15 production of any covered primary good, and

16 “(B) located within the United States.

17 “(9) FINISHED GOOD.—

18 “(A) IN GENERAL.—The term ‘finished
19 good’ means any good (as determined pursuant
20 to a 6-digit subheading of the Harmonized Tar-
21 iff Schedule of the United States) which is not
22 a covered primary good and which, as deter-
23 mined by the Secretary—

24 “(i) for calendar years 2028 and

25 2029—

1 “(I) typically contains greater
2 than 1,000 pounds of any combination
3 of any covered primary goods, or

4 “(II) is typically produced from
5 inputs of any combination of covered
6 primary goods, the combined value of
7 which comprise more than 90 percent
8 of the total value of the material in-
9 puts involved in the production of
10 such good,

11 “(ii) for calendar years 2030 and
12 2031—

13 “(I) typically contains greater
14 than 500 pounds of any combination
15 of any covered primary goods, or

16 “(II) is typically produced from
17 inputs of any combination of covered
18 primary goods, the value of which
19 comprise more than 75 percent of the
20 total value of the material inputs in-
21 volved in the production of such good,
22 and

23 “(iii) for any calendar year after cal-
24 endar year 2031—

1 “(I) typically contains greater
2 than such amount as is determined by
3 the Secretary (as determined in co-
4 ordination with the relevant parties,
5 and which shall not be greater than
6 500 pounds) of any combination of
7 any covered primary goods, or

8 “(II) is typically produced from
9 inputs of any combination of covered
10 primary goods, the value of which
11 comprise more than such percentage
12 as is determined by the Secretary (as
13 determined in coordination with the
14 relevant parties, and which shall not
15 be greater than 75 percent) of the
16 total value of the material inputs in-
17 volved in the production of such good.

18 “(B) EXCEPTION.—The term ‘finished
19 good’ shall not include any waste or scrap prod-
20 uct which is imported or exported.

21 “(10) GREENHOUSE GAS.—The term ‘green-
22 house gas’ has the meaning given such term under
23 section 211(o)(1)(G) of the Clean Air Act, as in ef-
24 fect on the date of the enactment of this subchapter.

1 “(11) GREENHOUSE GAS EMISSIONS.—The
2 term ‘greenhouse gas emissions’ means the amount
3 of greenhouse gases, expressed in metric tons of
4 CO₂-e, which were emitted to the atmosphere.

5 “(12) GREENHOUSE GAS REPORTING PRO-
6 GRAM.—The term ‘Greenhouse Gas Reporting Pro-
7 gram’ means the Greenhouse Gas Reporting Pro-
8 gram established under part 98 of title 40, Code of
9 Federal Regulations, as in effect on January 1,
10 2025.

11 “(13) MARKET ECONOMY.—The term ‘market
12 economy’ means any country which is not designated
13 as a nonmarket economy country pursuant to section
14 771(18) of the Tariff Act of 1930 (19 U.S.C.
15 1677(18)).

16 “(14) NAICS.—The term ‘NAICS’ means the
17 North American Industrial Classification System.

18 “(15) REGIONAL GRID.—The term ‘regional
19 grid’ means the smallest defined region of inter-
20 connected power grid (including power generation
21 assets) from which a facility draws power that ac-
22 counts for the total power supplied to the facility by
23 the grid and for which there is reliable data.

24 “(16) RELEVANT PARTIES.—The term ‘relevant
25 parties’ means—

1 “(A) the Administrator,
2 “(B) the Secretary of Energy,
3 “(C) the Secretary of Commerce,
4 “(D) the Secretary of Homeland Security,
5 “(E) the United States Trade Representa-
6 tive, and
7 “(F) the Chair and Vice Chair of the
8 United States International Trade Commis-
9 sion.”.

10 (b) CLERICAL AMENDMENT.—The table of sub-
11 chapters for chapter 38 of the Internal Revenue Code of
12 1986 is amended by adding at the end thereof the fol-
13 lowing new item:

“SUBCHAPTER E—CARBON INTENSITY CHARGE”.

14 (c) INVESTING IN INDUSTRIAL COMPETITIVENESS.—
15 (1) DEFINITIONS.—In this subsection:
16 (A) ADMINISTRATOR.—The term “Admin-
17 istrator” means the Administrator of the Envi-
18 ronmental Protection Agency.
19 (B) ADVANCED INDUSTRIAL TECH-
20 NOLOGY.—The term “advanced industrial tech-
21 nology” means a technology that—
22 (i) is directly involved in an industrial
23 process described in paragraphs (1)
24 through (6) of section 454(c) of the En-

1 Energy Independence and Security Act of
2 2007 (42 U.S.C. 17113(c)); and

3 (ii) is designed to accelerate green-
4 house gas emissions reduction progress to
5 net-zero at an eligible facility, as deter-
6 mined by the Secretary.

7 (C) AMBITION LEVEL.—The term “ambition level” means the level of reduction in carbon intensity described in each of subclauses (I) through (III) of paragraph (3)(C)(iv).

18 (E) BASELINE CARBON INTENSITY.—The
19 term “baseline carbon intensity” has the mean-
20 ing given the term in section 4695 of the Inter-
21 nal Revenue Code of 1986 (as added by sub-
22 section (a)).

23 (F) BENCHMARK CARBON INTENSITY.—
24 The term “benchmark carbon intensity”, with
25 respect to a covered primary good or eligible

1 good, means the carbon intensity of the covered
2 national industry in the United States for that
3 covered primary good or eligible good for the
4 preceding calendar year.

5 (G) BEST-IN-CLASS CARBON INTENSITY.—
6 The term “best-in-class carbon intensity”, with
7 respect to any proposed eligible facility, means
8 that the carbon intensity of such facility would
9 be not greater than the carbon intensity of the
10 existing facility with the lowest carbon intensity
11 within the relevant covered national industry, as
12 determined as of the date of the application for
13 a grant under the program.

14 (H) CARBON INTENSITY.—The term “car-
15 bon intensity” has the meaning given the term
16 under section 4691(b)(1) of the Internal Rev-
17 enue Code of 1986 (as added by subsection
18 (a)).

19 (I) COVERED PRIMARY GOOD.—The term
20 “covered primary good” has the meaning given
21 the term in section 4695 of the Internal Rev-
22 enue Code of 1986 (as added by subsection
23 (a)).

4 (K) COVERED NATIONAL INDUSTRY.—The
5 term “covered national industry” has the mean-
6 ing given the term in section 4695 of the Inter-
7 nal Revenue Code of 1986 (as added by sub-
8 section (a)).

13 (M) ELIGIBLE FACILITY.—The term “eligible
14 facility” has the meaning given the term in
15 section 4695 of the Internal Revenue Code of
16 1986 (as added by subsection (a)).

17 (N) ELIGIBLE GOOD.—The term “eligible
18 good” means a covered primary good deter-
19 mined eligible for a contract for difference by
20 the Secretary under paragraph (3)(B).

(O) ELIGIBLE GOODS CLASS.—The term “eligible goods class” means an eligible goods class as described in paragraph (3)(C)(iii).

24 (P) PRICE DISCOVERY.—The term “price
25 discovery” means a process of determining the

1 true and accurate price of producing 1 unit of
2 the relevant quantity of an eligible good using
3 a unique production process.

4 (Q) RELEVANT QUANTITY.—The term
5 “relevant quantity” has the meaning given the
6 term under section 4691(b)(1)(E) of the Inter-
7 nal Revenue Code of 1986 (as added by sub-
8 section (a)).

9 (R) SECRETARY.—The term “Secretary”
10 means the Secretary of Energy (or a designee).

11 (S) STRIKE PRICE.—The term “strike
12 price” means the dollar value of 1 unit of the
13 relevant quantity of an eligible good.

14 (2) INVESTMENTS IN ADVANCED INDUSTRIAL
15 TECHNOLOGY.—

16 (A) ESTABLISHMENT.—The Secretary
17 shall establish a competitive program (referred
18 to in this paragraph as the “program”) to
19 award to eligible entities grants, rebates, or
20 low-interest loans, as determined appropriate by
21 the Secretary, to support investments in ad-
22 vanced industrial technology, including in dedi-
23 cated power generation and storage—

24 (i) in the case of an existing eligible
25 facility, to reduce the carbon intensity of

1 the existing eligible facility by at least 20
2 percent;

3 (ii) in the case of a proposed eligible
4 facility, to ensure at least best-in-class car-
5 bon intensity of that proposed eligible facil-
6 ity, with a goal of achieving net-zero car-
7 bon intensity; and

10 (I) to increase the technological
11 and economic competitiveness of cov-
12 ered national industries in the United
13 States:

14 (II) to increase the viability and
15 competitiveness of United States in-
16 dustrial exports; and

17 (III) to achieve emissions reduc-
18 tion in covered national industries.

19 (B) APPLICATION PROCESS.—The Sec-
20 retary shall develop an application process for
21 the program similar to the application process
22 for the national grant program of the Adminis-
23 trator under subtitle G of title VII of the En-
24 ergy Policy Act of 2005 (42 U.S.C. 16131 et
25 seq.).

(C) PREFERENCE.—In awarding funding under the program, the Secretary shall give preference to eligible entities—

(i) for projects that would—

(I) result in the greatest decrease in carbon intensity;

(II) support the demonstration and catalyze the deployment of first-of-a-kind technologies and processes;

(III) provide the greatest benefit for the greatest number of people within the area in which the eligible facility is located;

(IV) advance United States global strategic interests;

(V) provide the greatest potential for direct and indirect domestic job creation; and

(VI) maximize improvement in local air quality; and

(ii) for facilities located in—

(I) economically distressed communities that have experienced a loss of manufacturing jobs; and

1 (II) communities with high cu-
2 mulative pollution burdens, as deter-
3 mined by the Administrator.

4 (D) COST SHARE.—The Secretary shall re-
5 quire an eligible entity to provide not less than
6 50 percent of the cost of a project carried out
7 pursuant to the program.

13 (i) within 3 years of the award of
14 funding, to complete the proposed invest-
15 ments or achieve an interim progress mile-
16 stone agreed to with the Secretary; or

20 (I) in the case of an existing eli-
21 gible facility, to achieve and maintain
22 the reduction in carbon intensity pro-
23 posed in the application; or

24 (II) in the case of a proposed eli-
25 gible facility, to achieve and maintain

1 the best-in-class carbon intensity pro-
2 posed in the application.

3 (F) OUTREACH.—The Secretary shall con-
4 duct outreach—

5 (i) to notify the public about the pro-
6 gram; and

7 (ii) to inform eligible entities of tech-
8 nologies that can reduce facility carbon in-
9 tensity or ensure best-in-class carbon in-
0 tensity.

11 (3) CONTRACTS FOR DIFFERENCE.—

12 (A) ESTABLISHMENT.—The Secretary
13 shall establish a program (referred to in this
14 paragraph as the “program”) to enter into con-
15 tracts for difference (referred to in this para-
16 graph as “covered contracts”), on a competitive
17 basis, with eligible entities for payment of costs
18 associated with the production of eligible goods
19 manufactured by those eligible entities—

20 (i) to accelerate the deployment of
21 commercially available advanced industrial
22 technology;

23 (ii) to demonstrate and advance the
24 commercialization of first-of-a-kind ad-
25 vanced industrial technology;

(iii) to increase the technological and economic competitiveness of covered national industries in the United States;

(iv) to increase the viability and competitiveness of United States advanced industrial technology exports; and

(v) to reduce the carbon intensity of covered national industries in the United States.

(B) ELIGIBLE GOODS.—

(i) IN GENERAL.—The Secretary shall determine which covered primary goods are eligible for covered contracts under the program.

(ii) PRIORITY.—In making determinations under clause (i), the Secretary shall give priority to covered primary goods—

(I) that contribute a greater proportion of total covered emissions relative to other covered primary goods in the same covered national industry;

(II) the market conditions for which are conducive to fair and competitive auctions;

(III) that have transparent and accurate price indices;

(IV) that face large marginal costs of decarbonization that cannot feasibly be equalized by the carbon intensity charge levied under section 4692 of the Internal Revenue Code of 1982 (as added by subsection (a));

(V) that provide the greatest potential for direct and indirect domestic job creation;

(VI) that are feasibly expected to continue to have robust market demand for the duration of the applicable covered contract; and

(VII) that have the greatest ability to reduce hazardous local air quality if awarded a covered contract.

(C) AUCTIONS —

(i) IN GENERAL.—To award covered contracts under the program, the Secretary shall hold competitive auctions for each eligible goods class.

(ii) APPLICATION.—To participate in an auction under clause (i), an eligible en-

3 (I) a description of the eligible
4 goods covered under the proposed cov-
5 ered contract;

6 (II) information on any existing
7 or proposed facilities that will produce
8 the eligible goods covered under the
9 proposed covered contract, including
10 location, employment numbers, and
11 any planned or ongoing investments in
12 or retrofits of the facilities;

13 (III) a description of the method
14 of production, including technologies
15 and feedstocks, that will be used to
16 manufacture the eligible goods covered
17 under the proposed covered contract;

18 (IV) the details of any invest-
19 ments or retrofits required to produce
20 the eligible goods covered under the
21 proposed covered contract, including
22 the construction of new facilities;

23 (V) the expected carbon intensity
24 of the eligible goods covered under the
25 proposed covered contract for each

1 year of the duration of the proposed
2 covered contract;

3 (VI) the proposed strike price of
4 the eligible goods covered under the
5 proposed covered contract;

6 (VII) the expected annual pro-
7 duction volume (expressed in the rel-
8 evant quantity) of the eligible goods
9 covered under the proposed covered
10 contract for each year of the proposed
11 covered contract; and

12 (VIII) any other information de-
13 termined necessary by the Secretary.

14 (iii) ELIGIBLE GOODS CLASS.—

15 (I) IN GENERAL.—For each auc-
16 tion under clause (i), the Secretary
17 shall assign each eligible good to an
18 eligible goods class, which may com-
19 prise a single eligible good or multiple
20 eligible goods.

21 (II) CLASS OF MULTIPLE ELIGI-
22 BLE GOODS.—In determining the eli-
23 gible goods that shall be grouped into
24 a single eligible goods class for pur-

3 (aa) only group eligible
4 goods that can reasonably com-
5 pete with each other for market
6 share in the economy and on the
7 basis of carbon intensity in the
8 auction; and

9 (bb) prioritize the creation
10 of eligible goods classes that are
11 conducive to fair and competitive
12 auctions.

13 (III) BENCHMARK CARBON IN-
14 TENSITY.—The benchmark carbon in-
15 tensity for an eligible goods class with
16 eligible goods from multiple covered
17 national industries shall be the mean
18 benchmark carbon intensity of those
19 covered national industries (after con-
20 verting to the same relevant quantity,
21 if necessary).

22 (iv) AMBITION LEVEL.—If the Sec-
23 retary determines that there are conditions
24 to support sufficient auction competitive-
25 ness, the Secretary may hold separate auc-

5 (I) A reduction in carbon inten-
6 sity from benchmark carbon intensity
7 of not less than 20 percent but not
8 more than 50 percent.

9 (II) A reduction in carbon inten-
10 sity from benchmark carbon intensity
11 of not less than 50 percent but not
12 more than 80 percent.

13 (III) A reduction in carbon inten-
14 sity from benchmark carbon intensity
15 of more than 80 percent.

16 (v) SELECTION.—The Secretary shall
17 determine the winners of each auction
18 under clause (i) by selecting projects in
19 rank order from the lowest to the highest
20 value of the quotient obtained by divid-
21 ing—

22 (I) the expected per-unit payment
23 amount described in subparagraph
24 (F)(ii)(II), which shall be determined
25 by the Secretary using the proposed

4 (II) an amount equal to the dif-
5 ference between—

6 (aa) the benchmark carbon
7 intensity; and

(bb) the carbon intensity of the eligible good under the proposed covered contract.

11 (vi) ADMINISTRATION.—

12 (I) IN GENERAL.—The Secretary
13 shall design and manage competitive
14 auctions under clause (i) to maximize
15 fairness, competitiveness, accurate
16 price discovery, and the most efficient
17 utilization of public funds to achieve
18 reductions in carbon intensity and the
19 other goals of the program.

20 (II) AUCTION BUDGET.—The
21 Secretary shall establish a budget for
22 each auction held under the program.

23 (D) REQUIREMENTS.—

24 (i) CARBON INTENSITY REDUCTION.—
25 Each covered contract awarded under the

1 program shall be required to achieve at
2 least a 20 percent reduction in carbon in-
3 tensity as compared to the benchmark car-
4 bon intensity on the date of commence-
5 ment of the contract.

6 (ii) LABOR.—An eligible entity award-
7 ed a covered contract under the program
8 shall be required—

9 (I) to pay prevailing wages for
10 any work performed, including for the
11 execution of any investments or retro-
12 fits necessary to produce the applica-
13 ble eligible goods; and

14 (II) to establish a community
15 benefits agreement in conjunction
16 with the production of the applicable
17 eligible goods, including the execution
18 of any investments or retrofits nec-
19 essary to produce those eligible goods.

20 (E) CONTRACT TERMS.—Each covered
21 contract under the program shall include the
22 following:

23 (i) A description of the project under
24 the covered contract, including—

1 (I) details on the eligible goods,
2 including relevant distinguishing
3 qualities and properties and the meth-
4 odology of producing those eligible
5 goods;

6 (II) the execution of any invest-
7 ments or retrofits necessary to
8 produce those eligible goods; and

9 (III) performance requirements
10 for the project and procedures and
11 penalties if those requirements are not
12 met.

13 (ii) The maximum payment amount
14 determined pursuant to subparagraph
15 (F)(iv).

16 (iii) The expected carbon intensity of
17 each eligible good covered under the cov-
18 ered contract, estimated for each year of
19 the duration of the covered contract

20 (iv) The strike price for each eligible
21 good under the covered contract, including
22 any procedures for adjusting the strike
23 price over time, pursuant to subparagraph
24 (F)(iii).

1 (v) The methods and data sources to
2 be used for calculating covered emissions
3 and the applicable fair market value of eli-
4 gible goods, as established by the Sec-
5 retary.

6 (vi) Details of the community benefits
7 agreement established pursuant to sub-
8 paragraph (D)(ii)(II).

9 (vii) The duration of the covered con-
10 tract, subject to any early termination
11 rules established by the Secretary.

12 (viii) Any other terms determined nec-
13 essary by the Secretary.

14 (F) PAYMENTS.—

15 (i) IN GENERAL.—Under each covered
16 contract entered into under the program,
17 the Secretary shall make at least 1 pay-
18 ment annually.

19 (ii) AMOUNT.—The amount of a pay-
20 ment under clause (i), with respect to an
21 eligible good produced by an eligible entity
22 over a designated period of time, as deter-
23 mined by the Secretary, shall equal the
24 product obtained by multiplying—

(I) the quantity of the eligible good (expressed in the relevant quantity) produced by the eligible entity during the designated period of time; and

(II) the per-unit payment amount, which shall be the difference between—

(aa) the strike price; and
(bb) the average applicable fair market value of the same eligible good during the designated period of time, as determined by the Secretary.

(iii) DYNAMIC INDEXING.—The Secretary shall adjust the strike price established in each covered contract over time to account for—

(I) inflation; and
(II) changes in the cost of key inputs to the production of the eligible good, as determined by the Secretary, including, at a minimum—

(aa) natural gas;

(bb) hydrogen; and

1 (cc) electricity.

2 (iv) MAXIMUM PAYMENT AMOUNT.—

3 For each covered contract under the pro-
4 gram, the Secretary shall establish a max-
5 imum amount that may be paid under that
6 covered contract, which amount—

7 (I) takes into consideration ex-
8 pected levels of—

9 (aa) the quantity of eligible
0 goods covered under the covered
1 contract (expressed in the rel-
2 evant quantity) produced over
3 the duration of the covered con-
4 tract; and

15 (bb) the per-unit payment
16 amount described in clause
17 (ii)(II);

18 (II) maximizes the deployment of
19 available appropriations and the
20 achievement of the goals of the pro-
21 gram; and

22 (III) ensures that obligated ex-
23 penditures do not exceed available ap-
24 propriations.

6 (H) PUBLIC NOTICE.—Not later than 180
7 days before each auction is held under the pro-
8 gram, the Secretary shall publish guidance on
9 the auction process, including—

- (i) the timeline and selection process;
- (ii) a list of eligible goods, eligible goods classes, and ambition levels, if applicable;
- (iii) the auction budget for each eligible goods class and ambition level, if applicable;
- (iv) the benchmark carbon intensity for each eligible goods class;
- (v) the applicable fair market value for each eligible goods class, measured as the average applicable fair market value over the preceding 12 months; and
- (vi) any additional information needed to facilitate a fair and competitive auction, as determined by the Secretary.

1 (I) RULEMAKING.—

2 (i) IN GENERAL.—The Secretary
3 shall—

4 (I) not later than 1 year after the
5 date of enactment of this Act, promul-
6 gate rules for the implementation of
7 the program; and

(II) update those rules at least once every 5 years thereafter.

10 (ii) EFFECT ON CONTRACTS.—Any
11 update made under clause (i)(II) shall not
12 apply to covered contracts under the pro-
13 gram in effect before the date of effective-
14 ness of the update.

22 (5) ALLOCATION OF FUNDING.—In awarding
23 funding under the covered programs, the Secretary
24 shall, to the maximum extent practicable, allocate
25 funds to eligible entities that produce covered pri-

1 mary goods that are included within a covered na-
2 tional industry in approximate proportion to the
3 share of total greenhouse gas emissions that the cov-
4 ered national industry is responsible for emitting.

5 (6) OFFICES.—The Secretary may establish 1
6 or more offices within the Department of Energy to
7 administer the covered programs.

8 (7) EVALUATION AND REPORT.—Not later than
9 January 1, 2032, the Secretary shall submit to Con-
10 gress a report evaluating the efficacy of the covered
11 programs.

12 (8) APPROPRIATIONS.—

13 (A) IN GENERAL.—For fiscal year 2027
14 and each subsequent fiscal year, in addition to
15 amounts otherwise available, there are appro-
16 priated, out of any funds in the Treasury not
17 otherwise appropriated, to the Secretary to
18 carry out this subsection an amount equal to
19 the amount determined under subparagraph
20 (B) with respect to such fiscal year.

21 (B) APPROPRIATION.—

22 (i) FISCAL YEAR 2027.—For fiscal
23 year 2027, the amount appropriated for
24 purposes of paragraph (2) shall be
25 \$75,000,000,000.

(ii) SUBSEQUENT FISCAL YEARS.—

2 For fiscal year 2028 and each subsequent
3 fiscal year, the amount appropriated for
4 purposes of paragraph (2) shall be equal to
5 the applicable amount (as determined
6 under subparagraph (C)) for the preceding
7 fiscal year.

8 (C) APPLICABLE AMOUNT.—For purposes
9 of this paragraph, the term “applicable
10 amount” means—

11 (i) for any fiscal year beginning prior
12 to the date on which the Secretary of the
13 Treasury determines the total increase in
14 revenues to the Treasury by reason of the
15 application of subchapter E of chapter 38
16 of the Internal Revenue Code of 1986 (as
17 added by subsection (a)) is equal to or
18 greater than \$100,000,000,000, \$0; or

3 (d) ECONOMIC SUPPORT FUND OF DEPARTMENT OF
4 STATE.—

22 (A) Facilitating the negotiation of carbon
23 club agreements pursuant to section 4694 of
24 the Internal Revenue Code of 1986 (as added
25 by subsection (a)).

1 (B) Providing assistance to countries de-
2 scribed in section 4694(d)(2) of such Code.

(C) Maximizing the reduction of global greenhouse gas emissions.

5 (D) Securing access for the United States
6 to materials and inputs necessary to manufac-
7 ture products with lower carbon intensity, par-
8 ticularly those that are not feasibly produced
9 domestically.

10 (E) Supporting human development and
11 reductions in poverty.

12 (F) Advancing the national security and
13 diplomatic interests of the United States.

14 (3) APPROPRIATION.—

15 (A) FISCAL YEAR 2027.—For fiscal year
16 2027, the amount appropriated for purposes of
17 paragraph (1) shall be \$25,000,000,000.

12 (B) with respect to any fiscal year begin-
13 ning after the date described in subparagraph
14 (A), an amount equal to 25 percent of the in-
15 crease in revenues to the Treasury during such
16 fiscal year by reason of the application of sub-
17 chapter E of chapter 38 of the Internal Rev-
18 enue Code of 1986 (as added by subsection
19 (a)).

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