

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.—

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

“(I) an amount equal to the sum of the covered emissions (as determined under paragraph (2)) with respect to all eligible facilities which produce covered primary goods which are included within such covered national industry for the calendar year, divided by

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

“(ii) COVERED PRIMARY GOODS DETERMINATION.—For purposes of this subchapter—

“(I) a covered primary good shall initially be included within the covered national industry with which it is associated 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-

1 tional industry established under sub-
2 clause (II), and

3 “(IV) determine a classification
4 for defining such covered national in-
5 dustry for purposes of this sub-
6 chapter, such as—

7 “(aa) the applicable 6-digit
8 subheading (or subheadings) of
9 the Harmonized Tariff Schedule
10 of the United States of the goods
11 described in subclause (I),

12 “(bb) the relevant produc-
13 tion process,

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

16 “(dd) any combination of
17 the methods for classification de-
18 scribed in items (aa) through
19 (cc).

20 “(ii) REVIEW.—With respect to any
21 covered primary good which is included in
22 a petition described in clause (i), the Sec-
23 retary (in coordination with the Adminis-
24 trator and the Secretary of Energy) shall
25 approve such petition if—

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.

10 “(iv) GOODS-LEVEL DATA.—In the
11 case of any petition described in clause (i)
12 which is approved by the Secretary pursu-
13 ant to clause (ii), the Secretary (in coordi-
14 nation with the Administrator) shall use a
15 methodology for determining the carbon in-
16 tensity of the covered primary good or sub-
17 set of primary goods (as determined using
18 the eligible facility information reported
19 under subsection (a)), and shall publish
20 the methodology and the results of such
21 determination, in a manner which—

22 “(I) is compatible with existing
23 Federal carbon accounting rules and
24 standards,

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 nate 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

covered primary goods in the covered national industry, an alternate physical unit of measurement.

“(2) COVERED EMISSIONS.—

“(A) IN GENERAL.—For purposes of this subsection, for each calendar year, the amount of covered emissions with respect to any eligible facility shall be an amount (as determined by the Secretary, in coordination with the Administrator) equal to the sum of—

“(i) the total greenhouse gas emissions associated with the production of covered primary goods at such facility during the preceding calendar year (as reported pursuant to subsection (a)), plus

“(ii) the total greenhouse gas emissions associated with any electricity used at such facility for the production of such goods during the preceding calendar year.

“(B) EMISSIONS FOR ELECTRICITY USED.—

“(i) IN GENERAL.—For purposes of subparagraph (A)(ii), the amount of greenhouse gas emissions associated with electricity 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.—

“(A) IN GENERAL.—In the case of any covered primary good which is imported into the United States, the carbon intensity with respect to such good shall be determined as follows:

“(i) ECONOMY-WIDE DEFAULT.—Subject to clauses (ii), (iii), and (iv), the carbon intensity with respect to the covered primary good shall be equal to the product of—

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

“(aa) the carbon intensity of the general economy of the country of origin of such good, divided by

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

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

“(ii) INDUSTRY DATA.—If the Secretary (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.

12 “(iii) MANUFACTURER DATA.—If a
13 petition under subparagraph (C) has been
14 approved, the carbon intensity with respect
15 to the covered primary good shall be equal
16 to the average carbon intensity with re-
17 spect to the production of such good by the
18 manufacturer within the country of origin.

19 “(iv) ESTIMATES FOR SIGNIFICANT
20 IMPORTS.—If the Secretary (in coordina-
21 tion with the relevant parties) determines
22 that—

23 “(I)(aa) greater than 10 percent
24 of the value of imports of covered pri-
25 mary goods in a covered national in-

1 dustry come from a single country of
2 origin, or

3 “(bb) when applied to imports of
4 covered primary goods in a covered
5 national industry from a country of
6 origin, the carbon intensity deter-
7 mined under clause (i) fails to main-
8 tain the integrity and efficacy of this
9 subchapter, and

10 “(II)(aa) transparent, verifiable,
11 and reliable information is not avail-
12 able to determine the carbon intensity
13 of the covered national industry in
14 such country of origin, or

15 “(bb) such country of origin is
16 not a transparent market economy,
17 the Secretary (in coordination with
18 the relevant parties) shall estimate the
19 carbon intensity of the covered na-
20 tional industry in the country of ori-
21 gin using best available data (such as
22 the production processes used by the
23 facilities in the country).

24 “(B) CARBON INTENSITY OF THE GEN-
25 ERAL ECONOMY.—For purposes of this sub-

chapter, with respect to any country, the carbon intensity of the general economy of such country shall be an amount equal to the quotient of—

“(i) the greenhouse gas emissions of such country for the most recent year for which the Secretary determines there is reliable information, divided by

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

“(C) PETITION FOR FOREIGN MANUFACTURER DATA.—

“(i) IN GENERAL.—In the case of any entity which imports a covered primary good for which the carbon intensity can be determined under subparagraph (A)(ii) from a country of origin where there is no evidence of inter-firm resource shuffling, such entity may file a petition with the Secretary to determine the charge under section 4692, if any, based on the average carbon intensity with respect to the production of such good by the manufacturer 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 coordination
20 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.

5 “(ii) EXCEPTION.—Clause (i) shall
 6 not apply if the country described in such
 7 clause produces at least 3 percent of total
 8 global exports by value of the covered pri-
 9 mary good.

10 “(D) FOREIGN CARBON PRICES.—If the
 11 Secretary (in coordination with the relevant
 12 parties) determines that a foreign country has
 13 implemented policies which impose explicit and
 14 verifiable fees, costs, or penalties on the emis-
 15 sion of greenhouse gases which—

16 “(i) are economically similar to the
 17 charges imposed pursuant to the provisions
 18 of this subchapter, and

19 “(ii) have not been rebated by such
 20 foreign country,

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-

1 ing such calendar year pursuant to the require-
2 ments under paragraphs (2) and (3), and

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—

10 “(A) disposed of in secure geological stor-
11 age (in compliance with the regulations estab-
12 lished under section 45Q(f)(2)), or

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 ‘Adminis-
 9 trator’ means the Administrator of the Environ-
 10 mental 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 subpara-
 18 graph (B), the term ‘CO₂-e’ means, with re-
 19 spect to a greenhouse gas, the quantity of such
 20 gas that has a global warming potential equiva-
 21 lent to 1 metric ton of carbon dioxide, as deter-
 22 mined pursuant to table A–1 of subpart A of
 23 part 98 of title 40, Code of Federal Regula-
 24 tions, as in effect on the date of the enactment
 25 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-

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

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

“(B) excluding any waste or scrap byproducts which are not sold.

“(8) ELIGIBLE FACILITY.—The term ‘eligible facility’ means any facility (as such term is defined for purposes of the Greenhouse Gas Reporting Program) which is—

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

“(B) located within the United States.

“(9) FINISHED GOOD.—

“(A) IN GENERAL.—The term ‘finished good’ means any good (as determined pursuant to a 6-digit subheading of the Harmonized Tariff Schedule of the United States) which is not a covered primary good and which, as determined by the Secretary—

“(i) for calendar years 2028 and 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-

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

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

(C) AMBITION LEVEL.—The term “ambi-
tion level” means the level of reduction in car-
bon intensity described in each of subclauses (I)
through (III) of paragraph (3)(C)(iv).

(D) APPLICABLE FAIR MARKET VALUE.—
The term “applicable fair market value”, with
respect to an eligible good, means the average
market dollar value of 1 unit of the relevant
quantity of that eligible good, as determined by
the Secretary using publicly available market
prices and other market data.

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

(F) BENCHMARK CARBON INTENSITY.—
The term “benchmark carbon intensity”, with
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)).

1 (J) COVERED PROGRAM.—The term “cov-
 2 ered program” means each of the programs es-
 3 tablished under paragraphs (2)(A) and (3)(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)).

9 (L) ELIGIBLE ENTITY.—The term “eligible
 10 entity” means any person that operates an eli-
 11 gible facility or will operate a proposed eligible
 12 facility.

13 (M) ELIGIBLE FACILITY.—The term “eligi-
 14 ble 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).

21 (O) ELIGIBLE GOODS CLASS.—The term
 22 “eligible goods class” means an eligible goods
 23 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

8 (iii) in the case of existing and pro-
9 posed eligible facilities—

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.).

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

4 (i) for projects that would—

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

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

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

14 (IV) advance United States glob-
15 al strategic interests;

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

19 (VI) maximize improvement in
20 local air quality; and

21 (ii) for facilities located in—

22 (I) economically distressed com-
23 munities that have experienced a loss
24 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.

8 (E) RECAPTURE OF FUNDS.—The Sec-
9 retary shall recapture, pursuant to such regula-
10 tions or other guidance issued by the Secretary,
11 the funding awarded to an eligible entity if the
12 eligible entity fails—

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

17 (ii) during the 10-year period after
18 the proposed investments are placed in
19 service—

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-
10 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;

1 (iii) to increase the technological and
2 economic competitiveness of covered na-
3 tional industries in the United States;

4 (iv) to increase the viability and com-
5 petitiveness of United States advanced in-
6 dustrial technology exports; and

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

10 (B) ELIGIBLE GOODS.—

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

15 (ii) PRIORITY.—In making determina-
16 tions under clause (i), the Secretary shall
17 give priority to covered primary goods—

18 (I) that contribute a greater pro-
19 portion of total covered emissions rel-
20 ative to other covered primary goods
21 in the same covered national industry;

22 (II) the market conditions for
23 which are conducive to fair and com-
24 petitive auctions;

1 (III) that have transparent and
2 accurate price indices;

3 (IV) that face large marginal
4 costs of decarbonization that cannot
5 feasibly be equalized by the carbon in-
6 tensity charge levied under section
7 4692 of the Internal Revenue Code of
8 1982 (as added by subsection (a));

9 (V) that provide the greatest po-
10 tential for direct and indirect domestic
11 job creation;

12 (VI) that are feasibly expected to
13 continue to have robust market de-
14 mand for the duration of the applica-
15 ble covered contract; and

16 (VII) that have the greatest abil-
17 ity to reduce hazardous local air qual-
18 ity if awarded a covered contract.

19 (C) AUCTIONS.—

20 (i) IN GENERAL.—To award covered
21 contracts under the program, the Secretary
22 shall hold competitive auctions for each eli-
23 gible goods class.

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

1 tity shall submit to the Secretary an appli-
2 cation that includes—

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-

poses of an auction under clause (i),
the Secretary shall—

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

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

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

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

tions within an eligible goods class for projects that yield each of the following percentages of reduction in carbon intensity:

(I) A reduction in carbon intensity from benchmark carbon intensity of not less than 20 percent but not more than 50 percent.

(II) A reduction in carbon intensity from benchmark carbon intensity of not less than 50 percent but not more than 80 percent.

(III) A reduction in carbon intensity from benchmark carbon intensity of more than 80 percent.

(v) SELECTION.—The Secretary shall determine the winners of each auction under clause (i) by selecting projects in rank order from the lowest to the highest value of the quotient obtained by dividing—

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

1 strike price of the eligible entity and
 2 the fair market value at the time of
 3 auction; by

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

6 (aa) the benchmark carbon
 7 intensity; and

8 (bb) the carbon intensity of
 9 the eligible good under the pro-
 10 posed 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—

1 (I) the quantity of the eligible
 2 good (expressed in the relevant quan-
 3 tity) produced by the eligible entity
 4 during the designated period of time;
 5 and

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

9 (aa) the strike price; and

10 (bb) the average applicable
 11 fair market value of the same eli-
 12 gible good during the designated
 13 period of time, as determined by
 14 the Secretary.

15 (iii) DYNAMIC INDEXING.—The Sec-
 16 retary shall adjust the strike price estab-
 17 lished in each covered contract over time to
 18 account for—

19 (I) inflation; and

20 (II) changes in the cost of key in-
 21 puts to the production of the eligible
 22 good, as determined by the Secretary,
 23 including, at a minimum—

24 (aa) natural gas;

25 (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
10 goods covered under the covered
11 contract (expressed in the rel-
12 evant quantity) produced over
13 the duration of the covered con-
14 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.

1 (G) PENALTIES.—The Secretary may im-
2 pose financial and other penalties on any eligi-
3 ble entity that fails to meet the performance re-
4 quirements established by the Secretary for the
5 covered contract of that eligible entity.

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—

10 (i) the timeline and selection process;

11 (ii) a list of eligible goods, eligible
12 goods classes, and ambition levels, if appli-
13 cable;

14 (iii) the auction budget for each eligi-
15 ble goods class and ambition level, if appli-
16 cable;

17 (iv) the benchmark carbon intensity
18 for each eligible goods class;

19 (v) the applicable fair market value
20 for each eligible goods class, measured as
21 the average applicable fair market value
22 over the preceding 12 months; and

23 (vi) any additional information needed
24 to facilitate a fair and competitive auction,
25 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

8 (II) update those rules at least
9 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.

15 (4) EMISSIONS REDUCTION GOAL.—In awarding
16 funding under the covered programs, the Secretary
17 shall seek to keep the aggregate carbon intensity of
18 each covered national industry in the United States
19 below the value of the applicable percentage of the
20 baseline carbon intensity for that covered national
21 industry.

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.

1 (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

19 (ii) with respect to any fiscal year be-
20 ginning after the date described in clause
21 (i), an amount equal to 25 percent of the
22 increase in revenues to the Treasury dur-
23 ing such fiscal year by reason of the appli-
24 cation of subchapter E of chapter 38 of

1 the Internal Revenue Code of 1986 (as
2 added by subsection (a)).

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

5 (1) IN GENERAL.—For fiscal year 2027 and
6 each subsequent fiscal year, in addition to amounts
7 otherwise available, there are appropriated, out of
8 any funds in the Treasury not otherwise appro-
9 priated, to the Department of State an amount
10 equal to the amount determined under paragraph
11 (2) with respect to such fiscal year, with such
12 amount to be made available for bilateral and multi-
13 lateral assistance to support climate and clean en-
14 ergy programs.

15 (2) PREFERENCE.—In providing assistance
16 under paragraph (1), the Secretary of State (in con-
17 junction with the Secretary of the Treasury, the Sec-
18 retary of Energy, and the Administrator of the En-
19 vironmental Protection Agency) shall allocate such
20 assistance in a manner which prioritizes the fol-
21 lowing goals in the following order of importance:

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.

3 (C) Maximizing the reduction of global
4 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.

18 (B) SUBSEQUENT FISCAL YEARS.—For fis-
19 cal year 2028 and each subsequent fiscal year,
20 the amount appropriated for purposes of para-
21 graph (1) shall be equal to the applicable
22 amount (as determined under paragraph (4))
23 for the preceding fiscal year.

1 (4) APPLICABLE AMOUNT.—For purposes of
2 this subsection, the term “applicable amount”
3 means—

4 (A) for any fiscal year beginning prior to
5 the date on which the Secretary of the Treasury
6 determines the total increase in revenues to the
7 Treasury by reason of the application of sub-
8 chapter E of chapter 38 of the Internal Rev-
9 enue Code of 1986 (as added by subsection (a))
10 is equal to or greater than \$100,000,000,000,
11 \$0, or

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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