

AMENDMENT NO. _____ Calendar No. _____

Purpose: To provide a complete substitute.

IN THE SENATE OF THE UNITED STATES—110th Cong., 2d Sess.

S. 3036

To direct the Administrator of the Environmental Protection Agency to establish a program to decrease emissions of greenhouse gases, and for other purposes.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT IN THE NATURE OF A SUBSTITUTE intended
to be proposed by Mrs. BOXER

Viz:

1 Strike all after the enacting clause and insert the fol-
2 lowing:

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Lieberman-Warner Climate Security Act of 2008”.

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

- Sec. 1. Short title; table of contents.
- Sec. 2. Findings.
- Sec. 3. Purposes.
- Sec. 4. Definitions.

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TITLE I—IMMEDIATE ACTION

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- Sec. 101. Purpose.
- Sec. 102. Federal greenhouse gas registry.
- Sec. 103. Enforcement.
- Sec. 104. No effect on other requirements.

Subtitle B—Early Clean Technology Deployment

- Sec. 111. Efficient Buildings Grant Program.
- Sec. 112. Super-Efficient Equipment and Appliances Development (SEAD) Program.
- Sec. 113. Clean medium- and heavy-duty hybrid fleets program.
- Sec. 114. International clean energy deployment.

Subtitle C—Research

- Sec. 121. Research on effects of climate change on drinking water utilities.
- Sec. 122. Rocky Mountain Centers for Study of Coal Utilization.
- Sec. 123. Sun grant center for research on compliance with Clean Air Act.
- Sec. 124. Study by Administrator of black carbon emissions.
- Sec. 125. Study by Administrator of recycling.
- Sec. 126. Retail carbon offsets.

TITLE II—CAPPING GREENHOUSE GAS EMISSIONS

- Sec. 201. Emission allowances.
- Sec. 202. Compliance obligation.
- Sec. 203. Penalty for noncompliance.
- Sec. 204. Regulations.
- Sec. 205. Report to Congress.

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- Sec. 301. Outreach initiative on revenue enhancement for agricultural producers.
- Sec. 302. Establishment of a domestic offset program.
- Sec. 303. Eligible offset project types.
- Sec. 304. Project initiation and approval.
- Sec. 305. Offset verification and issuance of allowances.
- Sec. 306. Tracking of reversals for sequestration projects.
- Sec. 307. Examinations.
- Sec. 308. Timing and the provision of offset allowances.
- Sec. 309. Offset registry.
- Sec. 310. Environmental considerations.
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Subtitle B—Offsets and Emission Allowances From Other Countries

- Sec. 321. Offset allowances originating from projects in other countries.
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Subtitle C—Agriculture and Forestry Program in the United States

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- Sec. 331. Allocation.
- Sec. 332. Agriculture and Forestry Program.
- Sec. 333. Agricultural and forestry greenhouse gas management research.

TITLE IV—ESTABLISHING A GREENHOUSE GAS EMISSION
ALLOWANCE TRADING MARKET

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- Sec. 401. Sale, exchange, and retirement of allowances.
- Sec. 402. No restriction on transactions.
- Sec. 403. Allowance transfer and tracking system.

Subtitle B—Market Oversight and Enforcement

- Sec. 411. Finding.
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Subtitle C—Carbon Market Efficiency Board

- Sec. 421. Establishment.
- Sec. 422. Composition and administration.
- Sec. 423. Duties.

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- Sec. 431. Establishment.
- Sec. 432. Purpose.
- Sec. 433. Independence.
- Sec. 434. Advance notification of distributions of funds.
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- Sec. 436. Requirements.
- Sec. 437. Reviews and audits by Comptroller General.

Subtitle E—Auction on Consignment

- Sec. 441. Regulations.

TITLE V—FEDERAL PROGRAM TO PREVENT ECONOMIC
HARDSHIP

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- Sec. 502. Effect of time.

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- Sec. 511. Regulations.
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- Sec. 1021. National drinking water regulations.
- Sec. 1022. Assessment of geological storage capacity for carbon dioxide.
- Sec. 1023. Study of feasibility relating to construction and operation of pipelines and geological carbon dioxide sequestration activities.
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Subtitle B—Advanced Vehicle Manufacturers

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TITLE XIII—INTERNATIONAL PARTNERSHIPS TO REDUCE EMISSIONS AND ADAPT TO CLIMATE CHANGE

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1 SEC. 2. FINDINGS.

2 Congress finds that—

3 (1) unchecked global climate change poses a
4 significant threat to—

5 (A) the national security of the United
6 States;

7 (B) the economy of the United States;

8 (C) public health in the United States;

9 (D) the well-being of residents of the
10 United States;

11 (E) the well-being of residents of other
12 countries; and

13 (F) the global environment;

14 (2) pursuant to the United Nations Framework
15 Convention on Climate Change, done at New York
16 on May 9, 1992, the United States is committed to
17 stabilizing greenhouse gas concentrations in the at-
18 mosphere at a level that will prevent dangerous in-
19 terference with the climate system;

1 (3) according to the Fourth Assessment Report
2 of the Intergovernmental Panel on Climate Change,
3 stabilizing greenhouse gas concentrations in the at-
4 mosphere at a level that will prevent dangerous in-
5 terference with the climate system will require a
6 global effort to reduce worldwide anthropogenic
7 greenhouse gas emissions by 50 to 85 percent below
8 2000 levels by 2050;

9 (4) prompt, decisive action is critical, because
10 greenhouse gases can persist in the atmosphere for
11 more than a century;

12 (5) global climate change represents a poten-
13 tially significant threat multiplier for instability
14 around the world and is likely to exacerbate competi-
15 tion and conflict over agricultural, vegetative, ma-
16 rine, and water resources and displace people, thus
17 increasing hunger and poverty and causing increased
18 pressure on the most vulnerable developing coun-
19 tries;

20 (6) the strategic, social, political, economic, cul-
21 tural, and environmental consequences of global cli-
22 mate change are likely to have disproportionate im-
23 pacts on the most vulnerable developing countries,
24 which have fewer industrial emissions and less eco-
25 nomic and financial capacity to respond;

1 (7) less developed countries rely to a much
2 greater degree on the natural and environmental
3 systems likely to be affected by climate change for
4 sustenance and livelihoods, as well as economic
5 growth and stability;

6 (8) the consequences of global climate change,
7 including increases in poverty and destabilization of
8 economies and societies, are likely to pose a danger
9 to the security interest and economic interest of the
10 United States;

11 (9) it is in the national security and economic
12 interest of the United States to recognize, plan for,
13 and mitigate the international strategic, social, polit-
14 ical, cultural, environmental and economic effects of
15 a changing climate and to assist those in the most
16 vulnerable developing countries to increase resilience
17 to those effects;

18 (10) the ingenuity of the people of the United
19 States will allow the United States to become a lead-
20 er in curbing global climate change;

21 (11) it is possible and desirable—

22 (A) to cap greenhouse gas emissions, from
23 the sources that together account for the major-
24 ity of those emissions in the United States, at
25 or below the current level in 2012;

1 (B) to lower the cap each year between
2 2012 and 2050; and

3 (C) to include in the system—

4 (i) measures to contain costs;

5 (ii) measures providing for periodic
6 reviews of the system;

7 (iii) an aggressive program for deploy-
8 ing advanced technology that is developed
9 and manufactured in the United States;

10 (iv) programs to assist low- and mid-
11 dle-income energy consumers; and

12 (v) programs to mitigate the impacts
13 of that degree of global climate change
14 that now is unavoidable;

15 (12) Congress will need to update the system,
16 including the emission caps, to account for new sci-
17 entific information and steps taken or not taken by
18 other countries;

19 (13) the Federal Government currently pos-
20 sesses adequate data to support initial steps in the
21 establishment of a greenhouse gas emission trading
22 market and to support initial allocations of emission
23 allowances based upon historical emissions and other
24 historical activities;

1 (14) the smooth functioning of a national emis-
2 sion trading market that is based upon a national
3 emissions cap that comes into effect at the beginning
4 of calendar year 2012 necessitates the establish-
5 ment, not later than January 1, 2011, of a Federal
6 system for determining, recording, and reporting
7 greenhouse gas emissions at an entity-specific level;

8 (15) prompt and decisive domestic climate
9 change investments represent an unprecedented eco-
10 nomic development opportunity for the United
11 States;

12 (16) an environmental economic development
13 policy should seek to increase the per-capita income
14 and protect the interests of working families;

15 (17) the measures in this Act are not the only
16 measures that Congress will need to enact over the
17 decades-long program established by this Act in
18 order to avert dangerous climate change and avoid
19 the imposition of hardship on United States resi-
20 dents;

21 (18) State and local government programs, in-
22 cluding incentives, renewable portfolio standards, en-
23 ergy-efficiency requirements, land-use policies, and
24 other such programs typically implemented at the
25 State and local levels are having and will continue

1 to have a substantial and direct beneficial effect on
2 reducing greenhouse gas emissions;

3 (19) emissions of sulfur dioxide, nitrogen ox-
4 ides, and mercury in the United States continue to
5 inflict harm on the public health, economy, and nat-
6 ural resources of the United States;

7 (20) fossil fuel-fired electric power generating
8 facilities emit approximately 67 percent of the total
9 sulfur-dioxide emissions, 23 percent of the total ni-
10 trogen-oxide emissions, 40 percent of the total car-
11 bon-dioxide emissions, and 40 percent of the total
12 mercury emissions in the United States;

13 (21) more than half the electricity generated in
14 the United States is generated through the burning
15 of coal;

16 (22) the reserve of coal in the United States is
17 larger than the reserve of coal in any other country;

18 (23) while the reductions in emissions of sulfur
19 dioxide, nitrogen oxides, and mercury that will occur
20 in the presence of a declining cap on the greenhouse
21 gas emissions from coal-fired electric power gener-
22 ating facilities are larger than those that would
23 occur in the absence of such a cap, new, stricter
24 Federal limits on emissions of sulfur dioxide, nitro-

1 gen oxides, and mercury may still be needed to pro-
2 tect public health; and

3 (24) many existing fossil fuel-fired electric
4 power generating facilities in the United States were
5 exempted by Congress from emission limitations ap-
6 plicable to new and modified facilities of that type
7 based on an expectation by Congress that, over time,
8 those facilities would be retired or updated with new
9 pollution control equipment, but many of the ex-
10 empted facilities nevertheless continue to operate
11 and emit pollution at relatively high rates and with-
12 out new pollution control equipment.

13 **SEC. 3. PURPOSES.**

14 The purposes of this Act are—

15 (1) to establish the core of a Federal program
16 that will reduce United States greenhouse gas emis-
17 sions substantially enough to avert the catastrophic
18 impacts of global climate change; and

19 (2) to accomplish that purpose while—

20 (A) preserving robust growth in the United
21 States economy;

22 (B) creating new jobs in the United States;

23 (C) avoiding the imposition of hardship on
24 United States residents;

1 (D) reducing the dependence of the United
2 States on petroleum produced in other coun-
3 tries;

4 (E) imposing no net cost on the Federal
5 Government;

6 (F) ensuring that the financial resources
7 provided by the program established by this Act
8 for technology deployment are predominantly
9 invested in development, production, and con-
10 struction of that technology in the United
11 States; and

12 (G) encouraging complementary State and
13 local government policies and programs that
14 promote energy efficiency and technology de-
15 ployment or otherwise reduce greenhouse gas
16 emissions.

17 **SEC. 4. DEFINITIONS.**

18 In this Act:

19 (1) **ADDITIONAL; ADDITIONALITY.**—The terms
20 “additional” and “additionality” mean the extent to
21 which reductions in greenhouse gas emissions or in-
22 creases in sequestration are incremental to business
23 as usual, with no greenhouse gas incentives, for a
24 project entity.

1 (2) ADMINISTRATOR.—The term “Adminis-
2 trator” means the Administrator of the Environ-
3 mental Protection Agency.

4 (3) ADVANCED TECHNOLOGY VEHICLE.—The
5 term “advanced technology vehicle” means an elec-
6 tric vehicle, a fuel cell-powered vehicle, a hybrid or
7 plug-in hybrid electric vehicle, an advanced diesel
8 light duty motor vehicle, or a hydrogen-fueled vehicle
9 that meets—

10 (A) the Tier II Bin 5 emission standard
11 established in regulations prescribed by the Ad-
12 ministrator under section 202(i) of the Clean
13 Air Act (42 U.S.C. 7521(i)), or a lower-num-
14 bered Bin emission standard;

15 (B) any new emission standard for fine
16 particulate matter prescribed by the Adminis-
17 trator under that Act; and

18 (C) a standard of at least 125 percent of
19 the average base year combined fuel economy,
20 calculated on an energy-equivalent basis for ve-
21 hicles other than advanced diesel light-duty
22 motor vehicles, for vehicles of a substantially
23 similar nature and footprint.

24 (4) ALLOWANCE.—The term “allowance”
25 means—

- 1 (A) an emission allowance;
2 (B) an offset allowance; or
3 (C) an international allowance.

4 (5) AQUATIC SYSTEM.—

5 (A) IN GENERAL.—The term “aquatic sys-
6 tem” means any environment that is wet for at
7 least part of the year in which plants and ani-
8 mals interact with the chemical and physical
9 features of the environment.

10 (B) INCLUSIONS.—The term “aquatic sys-
11 tem” includes an environment described in sub-
12 paragraph (A) with respect to—

13 (i) any body of freshwater or salt
14 water, such as a pond or ocean; and

15 (ii) groundwater.

16 (6) BASELINE.—The term “baseline” means
17 the level of greenhouse gas emissions or a carbon
18 stock scenario that would occur with respect to a
19 project or activity in the absence of an offset project.

20 (7) BIOLOGICAL SEQUESTRATION; BIO-
21 LOGICALLY SEQUESTERED.—The terms “biological
22 sequestration” and “biologically sequestered”
23 mean—

24 (A) the capture, separation, isolation, or
25 removal of greenhouse gases from the atmos-

1 phere by terrestrial biological means, such as by
2 growing plants; and

3 (B) the storage of those greenhouse gases
4 in plants or related soils.

5 (8) BOARD.—The term “Board” means the
6 Carbon Market Efficiency Board established by sec-
7 tion 421.

8 (9) CARBON CONTENT.—The term “carbon con-
9 tent” means the quantity of carbon, per unit of
10 weight or energy value, contained in a fuel.

11 (10) CARBON DIOXIDE EQUIVALENT.—The
12 term “carbon dioxide equivalent” means, for each
13 HFC or non-HFC greenhouse gas, the quantity of
14 the gas that the Administrator determines makes
15 the same contribution to global warming as 1 metric
16 ton of carbon dioxide.

17 (11) CLIMATE REGISTRY.—The term “Climate
18 Registry” means the greenhouse gas emission reg-
19 istry jointly established and managed by more than
20 40 States and Indian tribes to collect greenhouse
21 gas emission data from entities to support various
22 greenhouse gas emission reporting and reduction
23 policies for the member States and Indian tribes.

24 (12) COMBINED FUEL ECONOMY.—The term
25 “combined fuel economy” means—

1 (A) the combined city-highway miles per
2 gallon values, as reported in accordance with
3 section 32908 of title 49, United States Code;
4 and

5 (B) in the case of an electric drive vehicle
6 with the ability to recharge from an off-board
7 source, the reported mileage, as determined in
8 a manner consistent with the Society of Auto-
9 motive Engineers recommended practice for
10 that configuration, or a similar practice rec-
11 ommended by the Secretary of Energy, using a
12 petroleum equivalence factor for the off-board
13 electricity (as defined by the Secretary of En-
14 ergy).

15 (13) CONVENTION.—The term “Convention”
16 means the United Nations Framework Convention
17 on Climate Change, done at New York on May 9,
18 1992, and entered into force on March 21, 1994.

19 (14) COST-CONTAINMENT AUCTION.—The term
20 “cost-containment auction” means an auction of
21 emission allowances conducted by the Administrator
22 pursuant to section 522.

23 (15) COST-CONTAINMENT AUCTION PRICE.—
24 The term “cost-containment auction price” means
25 the single price at which emission allowances are of-

1 ferred for sale during a cost-containment auction in
2 a particular year.

3 (16) COVERED ENTITY.—The term “covered
4 entity” means—

5 (A) any entity that, during a 1-year period,
6 uses more than 5,000 metric tons of coal in the
7 United States;

8 (B) any entity that is a natural gas proc-
9 essing plant in the United States (other than in
10 the State of Alaska);

11 (C) any entity that produces natural gas in
12 the State of Alaska or the Federal waters of the
13 Alaska Outer Continental Shelf;

14 (D) any entity that holds title to natural
15 gas, including liquefied natural gas, at the time
16 the natural gas is imported into the United
17 States;

18 (E) any entity that manufactures in the
19 United States petroleum-based liquid or gas-
20 eous fuel, petroleum coke, or coal-based liquid
21 or gaseous fuel, the combustion of which will,
22 assuming no sequestration, emit a non-HFC
23 greenhouse gas;

24 (F) any entity that holds title, at the time
25 of importation into the United States, to petro-

1 leum-based liquid or gaseous fuel, petroleum
2 coke, or coal-based liquid or gaseous fuel, the
3 combustion of which will, assuming no seques-
4 tration, emit a non-HFC greenhouse gas;

5 (G) any entity that, during a 1-year pe-
6 riod, manufactures more than 10,000 carbon
7 dioxide equivalents of non-HFC greenhouse gas
8 in the United States;

9 (H) any entity that, during any 1-year pe-
10 riod, holds title, at the time of importation into
11 the United States, to more than 10,000 carbon
12 dioxide equivalents of non-HFC greenhouse
13 gas; or

14 (I) any entity that manufactures any
15 hydrochlorofluorocarbon in the United States.

16 (17) DESTRUCTION.—The term “destruction”
17 means the extent to which the conversion of a green-
18 house gas to another gas, by thermal, chemical, or
19 other means, reduces global warming potential.

20 (18) ECOLOGICAL PROCESS.—The term “eco-
21 logical process” means a biological, chemical, or
22 physical interaction between and among the biotic
23 and abiotic components of an ecosystem, including—

24 (A) nutrient cycling;

25 (B) pollination;

- 1 (C) a predator-prey relationship;
2 (D) soil formation;
3 (E) gene flow;
4 (F) larval dispersal and settlement;
5 (G) changes in hydrology;
6 (H) decomposition; and
7 (I) a disturbance regime, such as fire or
8 flooding.

9 (19) EMISSION ALLOWANCE.—The term “emis-
10 sion allowance” means an allowance established by
11 the Administrator pursuant to section 201(a).

12 (20) ENGINEERING INTEGRATION COSTS.—The
13 term “engineering integration costs” includes the
14 cost of engineering tasks performed in the United
15 States relating to—

16 (A) incorporating qualifying components
17 into the design of advanced technology vehicles;
18 and

19 (B) designing new tooling and equipment
20 for production facilities that produce in the
21 United States qualifying components or ad-
22 vanced technology vehicles.

23 (21) FAIR MARKET VALUE.—The term “fair
24 market value” means the average market price, in a
25 particular calendar year, of an emission allowance.

1 (22) FISH AND WILDLIFE.—The term “fish and
2 wildlife” means—

3 (A) any species of wild fauna, including
4 fish and other aquatic species; and

5 (B) any fauna in a captive breeding pro-
6 gram the object of which is to reintroduce indi-
7 viduals of a depleted indigenous species into a
8 previously occupied range.

9 (23) GEOLOGICAL SEQUESTRATION; GEOLOGI-
10 CALLY SEQUESTERED.—The terms “geological se-
11 questration” and “geologically sequestered” mean
12 the permanent isolation of greenhouse gases, without
13 reversal, in geological formations.

14 (24) HABITAT.—The term “habitat” means the
15 physical, chemical, and biological properties that are
16 used by wildlife (including aquatic and terrestrial
17 plant communities) for growth, reproduction, sur-
18 vival, food, water, cover, and space, on a tract of
19 land, in a body of water, or in an area or region.

20 (25) HFC.—The term “HFC” means a
21 hydrofluorocarbon.

22 (26) INDIAN TRIBE.—The term “Indian tribe”
23 has the meaning given the term in section 4 of the
24 Indian Self-Determination and Education Assistance
25 Act (25 U.S.C. 450b).

1 (27) INTERNATIONAL FOREST CARBON ACTIVI-
2 TIES.—The term “international forest carbon activi-
3 ties” means national or subnational activities in
4 countries other than the United States that—

5 (A) are directed at—

6 (i) reducing greenhouse gas emissions
7 from deforestation and forest degradation;
8 and

9 (ii) increasing sequestration of carbon
10 through—

11 (I) restoration of forests;

12 (II) restoration of degraded land
13 that has not been forested prior to
14 restoration;

15 (III) afforestation, using native
16 species, where practicable; and

17 (IV) improved forest manage-
18 ment; and

19 (B) meet the eligibility requirements and
20 quality criteria promulgated under sections
21 1313(a) and 1314(b).

22 (28) LEAKAGE.—The term “leakage” means—

23 (A) a significant unaccounted increase in
24 greenhouse gas emissions by a facility or entity

1 caused by an offset project, as determined by
2 the Administrator; or

3 (B) a significant unaccounted decrease in
4 sequestration that is caused by an offset
5 project, as determined by the Administrator.

6 (29) LOCAL DISTRIBUTION COMPANY.—The
7 term “local distribution company” means an entity,
8 whether public or private—

9 (A) that has a legal, regulatory, or con-
10 tractual obligation to deliver electricity or nat-
11 ural gas to retail consumers; and

12 (B) whose rates and costs are, except in
13 the case of a registered electric cooperative, reg-
14 ulated by a State agency, regulatory commis-
15 sion, municipality, or public utility district, or
16 by an Indian tribe pursuant to tribal law.

17 (30) MANUFACTURE.—

18 (A) IN GENERAL.—The term “manufac-
19 ture” means to make an item, substance, or
20 material, for sale or distribution, through the
21 application of technology and industrial proc-
22 esses.

23 (B) EXCLUSION.—The term “manufac-
24 ture” does not include the creation of a green-
25 house gas through anaerobic decomposition.

1 (31) NAFTA COUNTRY.—The term “NAFTA
2 country” means a country that is a party to the
3 North American Free Trade Agreement.

4 (32) NATURAL GAS PROCESSING PLANT.—

5 (A) IN GENERAL.—The term “natural gas
6 processing plant” means a facility that is de-
7 signed—

8 (i) to separate natural-gas liquids
9 from natural gas; or

10 (ii) to fractionate mixed natural-gas
11 liquids into natural-gas products.

12 (B) EXCLUSION.—The term “natural gas
13 processing plant” does not include a wellhead
14 or pipeline facility that removes natural-gas liq-
15 uid condensate for operational or safety pur-
16 poses.

17 (33) NON-HFC GREENHOUSE GAS.—The term
18 “non-HFC greenhouse gas” means any of—

19 (A) carbon dioxide;

20 (B) methane;

21 (C) nitrous oxide;

22 (D) sulfur hexafluoride; or

23 (E) a perfluorocarbon.

24 (34) OFFSET ALLOWANCE.—The term “offset
25 allowance” means an allowance allocated by the Ad-

1 administrator pursuant to subtitle A or subtitle B of
2 title III, or subtitle B of title XIII.

3 (35) OFFSET PROJECT.—The term “offset
4 project” means a project that reduces emissions or
5 increases terrestrial sequestration of greenhouse
6 gases from sources or sinks that would otherwise not
7 have been covered under the limitation on the emis-
8 sion of greenhouse gases under this Act.

9 (36) PLANT.—The term “plant” means any
10 species of wild flora.

11 (37) PROJECT DEVELOPER.—The term “project
12 developer” means an individual or entity imple-
13 menting an offset project.

14 (38) QUALIFYING COMPONENT.—The term
15 “qualifying component” means a component that the
16 Secretary of Energy determines to be—

17 (A) specially designed for advanced tech-
18 nology vehicles;

19 (B) installed for the purpose of meeting
20 the performance requirements of advanced tech-
21 nology vehicles; and

22 (C) manufactured in the United States.

23 (39) REGIONAL GREENHOUSE GAS INITIA-
24 TIVE.—The term “Regional Greenhouse Gas Initia-
25 tive” means the cooperative effort by, as of the date

1 of enactment of this Act, the States of Connecticut,
2 Delaware, Maine, Maryland, New Hampshire, New
3 Jersey, New York, and Vermont, to reduce carbon
4 dioxide emissions.

5 (40) REGISTRY.—The term “Registry” means
6 the Federal greenhouse gas registry established
7 under section 102(a).

8 (41) REGULAR AUCTION.—The term “regular
9 auction” means an auction of emission allowances
10 conducted by the Administrator under this Act that
11 is not a cost-containment auction.

12 (42) REGULAR AUCTION RESERVE PRICE.—The
13 term “regular auction reserve price” means the price
14 below which an emission allowance may not be sold
15 through a regular auction.

16 (43) RETAIL RATE FOR DISTRIBUTION SERV-
17 ICE.—

18 (A) IN GENERAL.—The term “retail rate
19 for distribution service” means the rate that a
20 local distribution company charges for the use
21 of the system of the local distribution company.

22 (B) EXCLUSION.—The term “retail rate
23 for distribution service” does not include any
24 energy component of the rate.

1 (44) RETIRE AN ALLOWANCE.—The term “re-
2 tire an allowance” means to disqualify an allowance
3 for any subsequent use, regardless of whether the
4 use is a sale, exchange, or submission of the allow-
5 ance in satisfaction of a compliance obligation.

6 (45) REVERSAL.—The term “reversal” means
7 an intentional or unintentional loss of sequestered
8 carbon dioxide to the atmosphere in significant
9 quantities, as determined by the Administrator, in
10 order to accomplish the purposes of the Act in an
11 effective and efficient manner.

12 (46) RURAL ELECTRIC COOPERATIVE.—The
13 term “rural electric cooperative” means a coopera-
14 tively owned association that—

15 (A) was in existence as of October 18,
16 2007; and

17 (B) is eligible to receive loans under sec-
18 tion 4 of the Rural Electrification Act of 1936
19 (7 U.S.C. 904).

20 (47) SEQUESTERED AND SEQUESTRATION.—
21 The terms “sequestered” and “sequestration” mean
22 biological or geological sequestration.

23 (48) STATE.—The term “State” means—

24 (A) a State;

25 (B) the District of Columbia;

1 (C) the Commonwealth of Puerto Rico;
2 and

3 (D) any other territory or possession of the
4 United States.

5 (49) STATE REGULATORY AUTHORITY.—The
6 term “State regulatory authority” means any State
7 agency that has ratemaking authority with respect
8 to the retail rate for electricity or natural-gas dis-
9 tribution service.

10 (50) TERRESTRIAL ECOSYSTEM.—The term
11 “terrestrial ecosystem” means a land-occurring com-
12 munity of organisms, together with their environ-
13 ment.

14 (51) TRIBAL REGULATORY AUTHORITY.—The
15 term “tribal regulatory authority” means any Indian
16 tribe that has been granted statutory authority in
17 accordance with section 301(d) of the Clean Air Act
18 (42 U.S.C. 7601(d)).

19 **TITLE I—IMMEDIATE ACTION**
20 **Subtitle A—Tracking Greenhouse**
21 **Gas Emissions**

22 **SEC. 101. PURPOSE.**

23 The purpose of this title is to establish a Federal
24 greenhouse gas registry that—

25 (1) is national in scope;

1 (2) is complete, consistent, transparent, accu-
2 rate, precise, and reliable; and

3 (3) provides the data necessary to implement
4 the emission limitations and emission trading mar-
5 ket established pursuant to this Act.

6 **SEC. 102. FEDERAL GREENHOUSE GAS REGISTRY.**

7 (a) REGULATIONS.—Not later than 2 years after the
8 date of enactment of this Act, the Administrator shall pro-
9 mulgate regulations establishing a Federal greenhouse gas
10 registry that—

11 (1) achieves the purposes described in section
12 101; and

13 (2) requires emission reporting to begin for cal-
14 endar year 2011.

15 (b) CLIMATE REGISTRY.—The notice of final agency
16 action promulgating regulations under subsection (a) shall
17 explain each consequential inconsistency between those
18 regulations and the provisions of the Climate Registry.

19 (c) REQUIREMENTS.—The regulations promulgated
20 pursuant to subsection (a) shall—

21 (1) ensure the completeness, consistency, trans-
22 parency, accuracy, precision, and reliability of data
23 on greenhouse gas emissions in the United States
24 and on the production and manufacture in the
25 United States, and importation into the United

1 States, of fuels and other products the uses of which
2 result in the emission of greenhouse gas;

3 (2) exceed or conform to the best practices from
4 the most recent Federal, State, tribal, and inter-
5 national protocols for the measurement, accounting,
6 reporting, and verification of greenhouse gas emis-
7 sions, including, in particular, the Climate Registry,
8 taking into account the latest scientific research;

9 (3) require that, wherever feasible, submitted
10 data are monitored using monitoring systems for
11 fuel flow or emissions, such as continuous emission
12 monitoring systems or systems of equivalent preci-
13 sion, reliability, accessibility, and timeliness;

14 (4) require that, if an entity is already using a
15 continuous emission monitoring system to monitor
16 mass emissions of a greenhouse gas under a provi-
17 sion of law in effect as of the date of enactment of
18 this Act that is consistent with this Act, that system
19 be used to monitor submitted data;

20 (5) include methods for avoiding the double-
21 counting of greenhouse gas emissions;

22 (6) include protocols to prevent entities from
23 avoiding reporting requirements;

24 (7) include protocols for verification of sub-
25 mitted data;

1 (8) establish a means for electronic reporting;

2 (9) ensure verification and auditing of sub-
3 mitted data;

4 (10) establish consistent policies for calculating
5 carbon content and greenhouse gas emissions for
6 each type of fossil fuel reported;

7 (11) provide for public dissemination on the
8 Internet of all verified data that are not—

9 (A) vital to the national security of the
10 United States, as determined by the President;

11 or

12 (B) confidential business information that
13 cannot be derived from information that is oth-
14 erwise publicly available and that would cause
15 significant calculable competitive harm if pub-
16 lished (except that information relating to
17 greenhouse gas emissions shall not be consid-
18 ered to be confidential business information);

19 (12) prescribe methods by which the Adminis-
20 trator shall, in cases in which satisfactory data are
21 not submitted to the Administrator for any period of
22 time—

23 (A) replace the missing data with a con-
24 servative estimate of the highest emission levels
25 that may have occurred during the period for

1 which data are missing, in order to ensure
2 emissions are not under-reported and to create
3 a strong incentive for meeting data monitoring
4 and reporting requirements; and

5 (B) take appropriate enforcement action;
6 and

7 (13) ensure that no offset allowance distributed
8 to the government of a foreign country pursuant to
9 subtitle B of title XIII is transferred both into the
10 greenhouse gas emission trading market established
11 by this Act and into another such market.

12 **SEC. 103. ENFORCEMENT.**

13 (a) CIVIL ACTIONS.—The Administrator may bring
14 a civil action in a United States district court against any
15 entity that fails to comply with any requirement promul-
16 gated pursuant to section 102.

17 (b) PENALTY.—Any person that has violated or is
18 violating regulations promulgated pursuant to section 102
19 shall be subject to a civil penalty of not more than \$25,000
20 per day for each violation.

21 (c) PENALTY ADJUSTMENT.—For the fiscal year in
22 which this Act is enacted and each fiscal year thereafter,
23 the Administrator shall, by regulation, adjust the penalty
24 specified in subsection (b) to reflect changes for the 12-
25 month period ending the preceding November 30 in the

1 Consumer Price Index for All Urban Consumers published
2 by the Bureau of Labor Statistics of the Department of
3 Labor.

4 **SEC. 104. NO EFFECT ON OTHER REQUIREMENTS.**

5 Nothing in this subtitle affects any requirement in
6 effect as of the date of enactment of this Act relating to
7 the reporting of—

8 (1) fossil-fuel production, refining, importation,
9 exportation, or consumption data;

10 (2) greenhouse gas emission data; or

11 (3) other relevant data.

12 **Subtitle B—Early Clean**
13 **Technology Deployment**

14 **SEC. 111. EFFICIENT BUILDINGS GRANT PROGRAM.**

15 (a) IN GENERAL.—The Administrator shall establish
16 and carry out a program, to be known as the “Efficient
17 Buildings Grant Program”, under which the Adminis-
18 trator shall provide grants to owners of buildings in the
19 United States for use in—

20 (1) constructing new, highly-efficient buildings
21 in the United States; and

22 (2) increasing the efficiency of existing build-
23 ings in the United States.

24 (b) REQUIREMENTS.—The Administrator shall pro-
25 vide grants under this section to owners of buildings in

1 the United States based on the extent to which building
2 projects proposed to be carried out using funds from the
3 grants would result in verifiable, additional, and enforce-
4 able reductions in direct and indirect greenhouse gas emis-
5 sions—

6 (1) in new or renovated buildings that dem-
7 onstrate exemplary performance by achieving a min-
8 imum score of 75 on the benchmarking tool of the
9 Energy Star program established by section 324A of
10 the Energy Policy and Conservation Act (42 U.S.C.
11 6294a), or an equivalent score on an established en-
12 ergy performance benchmarking metric as deter-
13 mined under the regulations promulgated pursuant
14 to subsection (d); and

15 (2) in retrofitted existing buildings that dem-
16 onstrate substantial improvement in the score or rat-
17 ing on that benchmarking tool by a minimum of 30
18 points, or an equivalent improvement using an es-
19 tablished performance benchmarking metric as de-
20 termined under the regulations promulgated pursu-
21 ant to subsection (d).

22 (c) PRIORITY.—In providing grants under this sec-
23 tion, the Administrator shall give priority to projects
24 that—

1 United States for use in increasing sales of high-efficiency
2 building equipment, high-efficiency consumer electronics,
3 and high-efficiency household appliances through mar-
4 keting strategies such as consumer rebates, with the goals
5 of—

6 (1) minimizing lifecycle costs for consumers;

7 and

8 (2) maximizing public benefit.

9 (b) AMOUNT OF INDIVIDUAL GRANTS.—The amount
10 of each grant for each type of product shall be determined
11 by the Administrator, in consultation with the Secretary
12 of Energy, State and utility efficiency program adminis-
13 trators, and national laboratories.

14 (c) REPORTING.—Each retailer and distributor par-
15 ticipating in the program under this section shall be re-
16 quired to report to the Administrator, on a confidential
17 basis for the purpose of program design—

18 (1) the number of products of the retailer or
19 distributor sold within each product type; and

20 (2) wholesale purchase-price data relating to
21 those sales.

22 (d) COST-EFFECTIVENESS REQUIREMENT.—

23 (1) DEFINITIONS.—In this subsection:

1 (A) COST-EFFECTIVENESS.—The term
2 “cost-effectiveness” means a value equal to the
3 product obtained by multiplying—

4 (i) the net number of highly-efficient
5 pieces of equipment, electronics, and appli-
6 ances sold by a retailer or distributor in a
7 calendar year; by

8 (ii) the savings during the projected
9 useful life, not to exceed 10 years, obtained
10 by using the pieces of equipment, elec-
11 tronics, and appliances (including the im-
12 pact of any documented measures to retire
13 low-performing devices at the time of pur-
14 chase of highly-efficient substitutes).

15 (B) SAVINGS.—The term “savings” means
16 the megawatt-hours of electricity, or million
17 British thermal units of other fuels, that are
18 saved by the use of a product, as compared to
19 the projected energy consumption that would
20 result from the use of another product, based
21 on the efficiency performance of displaced new
22 product sales.

23 (2) REQUIREMENT.—Cost-effectiveness shall be
24 a top priority of the Administrator in providing
25 grants under this section.

1 (e) AUTHORIZATION OF APPROPRIATIONS.—There
2 are authorized to be appropriated such sums as are nec-
3 essary to carry out this section.

4 (f) TERMINATION OF AUTHORITY.—The program es-
5 tablished under this section, and all authority provided
6 under this section, shall terminate on the date on which
7 the Super-Efficient Equipment and Appliances Deploy-
8 ment Program is established under section 812.

9 **SEC. 113. CLEAN MEDIUM- AND HEAVY-DUTY HYBRID**
10 **FLEETS PROGRAM.**

11 (a) IN GENERAL.—The Administrator shall by regu-
12 lation establish and carry out a program under which the
13 Administrator shall provide grants to entities in the
14 United States, for the purchase of advanced medium- and
15 heavy-duty hybrid commercial vehicles, based on dem-
16 onstrated increases in fuel efficiency of those commercial
17 vehicles.

18 (b) REQUIREMENTS.—The regulations promulgated
19 pursuant to subsection (a) shall provide that—

20 (1) only a purchaser of a commercial vehicle
21 weighing at least 8,500 pounds shall be eligible for
22 receipt of emission allowances under the program;

23 (2) the purchaser of a qualifying vehicle shall
24 have certainty, at the time of purchase of a quali-
25 fying vehicle, of—

1 (A) the amount of the grant to be pro-
2 vided; and

3 (B) the time at which grant funds shall be
4 available;

5 (3) the amount of a grant provided under this
6 section shall increase in direct proportion to the fuel
7 efficiency of a commercial vehicle to be purchased
8 using funds from the grant;

9 (4) the amounts made available to provide
10 grants under this section shall be allocated by the
11 Administrator for at least 3 classes of vehicle
12 weight, to ensure—

13 (A) adequate availability of grant funds for
14 different categories of commercial vehicles; and

15 (B) that the amount of a grant provided
16 for the purchase of a heavier, more expensive
17 vehicle is proportional to the amount of a grant
18 provided for the purchase of a lighter, less ex-
19 pensive vehicle; and

20 (5) the amount provided per grant shall de-
21 crease over time to encourage early purchases of
22 qualifying commercial vehicles.

23 (c) AUTHORIZATION OF APPROPRIATIONS.—There
24 are authorized to be appropriated such sums as are nec-
25 essary to carry out this section.

1 (d) TERMINATION OF AUTHORITY.—The program es-
2 tablished under this section, and all authority provided
3 under this section, shall terminate on the date on which
4 the clean medium- and heavy-duty hybrid fleets program
5 is established under section 1103.

6 **SEC. 114. INTERNATIONAL CLEAN ENERGY DEPLOYMENT.**

7 (a) PURPOSE.—The purpose of this section is to pro-
8 mote and leverage private financing for the development
9 and international deployment of technologies that will con-
10 tribute to sustainable economic growth and the stabiliza-
11 tion of greenhouse gas concentrations in the atmosphere
12 at a level that will prevent dangerous anthropogenic inter-
13 ference with the climate system.

14 (b) DEFINITIONS.—In this section:

15 (1) APPROPRIATE COMMITTEES OF CON-
16 GRESS.—The term “appropriate committees of Con-
17 gress” means—

18 (A) in the Senate—

19 (i) the Committee on Foreign Rela-
20 tions;

21 (ii) the Committee on Finance;

22 (iii) the Committee on Energy and
23 Natural Resources;

24 (iv) the Committee on Environment
25 and Public Works; and

- 1 (v) the Committee on Appropriations;
2 and
3 (B) in the House of Representatives—
4 (i) the Committee on Foreign Affairs;
5 (ii) the Committee on Ways and
6 Means;
7 (iii) the Committee on Energy and
8 Commerce;
9 (iv) the Committee on Natural Re-
10 sources; and
11 (v) the Committee on Appropriations.

12 (2) BOARD.—The term “Board” means the
13 International Clean Energy Deployment Board es-
14 tablished under subsection (c)(1).

15 (3) ELIGIBLE COUNTRY.—The term “eligible
16 country” means a foreign country that, as deter-
17 mined by the President—

18 (A) is not a member of the Organization
19 for Economic Cooperation and Development;
20 and

21 (B)(i) has made a binding commitment,
22 pursuant to an international agreement to
23 which the United States is a party, to carry out
24 actions to produce measurable, reportable, and

1 verifiable greenhouse gas emission mitigations;
2 or

3 (ii) as certified by the Board to the appro-
4 priate committees of Congress, has in force
5 binding national policies and measures that are
6 capable of producing measurable, reportable,
7 and verifiable greenhouse gas emission mitiga-
8 tions.

9 (4) QUALIFIED ENTITY.—The term “qualified
10 entity” means—

11 (A) the national government of an eligible
12 country;

13 (B) a regional or local governmental unit
14 of an eligible country; and

15 (C) a nongovernmental organization or a
16 private entity located or operating in an eligible
17 country.

18 (c) INTERNATIONAL CLEAN ENERGY DEPLOYMENT
19 BOARD.—

20 (1) ESTABLISHMENT.—Not later than 90 days
21 after the date of enactment of this Act, the Presi-
22 dent shall establish a board, to be known as the “
23 International Clean Development Technology
24 Board”.

1 (2) COMPOSITION.—The Board shall be com-
2 posed of—

3 (A) the Secretary of State, who shall serve
4 as Chairperson of the Board;

5 (B) the Secretary of the Treasury;

6 (C) the Secretary of Energy;

7 (D) the Secretary of Commerce;

8 (E) the Administrator;

9 (F) the Administrator of the United States
10 Agency for International Development;

11 (G) the United States Trade Representa-
12 tive; and

13 (H) such other officials as the President
14 determines to be appropriate.

15 (3) DUTIES.—The Board shall administer the
16 Fund in a manner that ensures that amounts made
17 available to carry out the program—

18 (A) are used in a manner that best pro-
19 motes the participation of, and investments by,
20 the private sector;

21 (B) are allocated in a manner consistent
22 with commitments by the United States under
23 international climate change agreements; and

24 (C) are expended to achieve the greatest
25 greenhouse gas emission mitigation with the

1 lowest practicable cost, consistent with subpara-
2 graphs (A) and (B).

3 (4) ASSISTANCE.—The Board shall provide as-
4 sistance under this section to qualified entities to
5 support the purposes of this section.

6 (5) FORM OF ASSISTANCE.—In accordance with
7 international the Federal and international intellec-
8 tual property law, assistance under this subsection
9 shall be provided—

10 (A) as direct assistance in the form of
11 grants, congressional loans, cooperative agree-
12 ments, contracts, insurance, or loan guarantees
13 to or with qualified entities;

14 (B) as indirect assistance to qualified enti-
15 ties through—

16 (i) funding for international clean
17 technology funds supported by multilateral
18 institutions;

19 (ii) support from development and ex-
20 port promotion assistance programs of the
21 Federal Government; or

22 (iii) support from international tech-
23 nology programs of the Department of En-
24 ergy; or

1 (C) in such other forms as the Board de-
2 termines to be appropriate.

3 (6) USE OF ASSISTANCE.—Assistance provided
4 under this subsection shall be used for 1 or more of
5 the following purposes:

6 (A) Funding for capacity building pro-
7 grams, including—

8 (i) developing and implementing meth-
9 odologies and programs for measuring and
10 quantifying greenhouse gas emissions and
11 verifying emission reductions;

12 (ii) assessing technology and policy
13 options for greenhouse gas emission miti-
14 gations; and

15 (iii) providing other forms of technical
16 assistance to facilitate the qualification for,
17 and receipt of, program funding under this
18 section.

19 (B) Funding for technology programs to
20 mitigate greenhouse gas emissions through Fed-
21 eral or State engagement in cooperative re-
22 search and development activities with eligible
23 countries, including on the subject of—

24 (i) transportation technologies;

25 (ii) coal, including low-rank coal;

- 1 (iii) energy efficiency programs;
2 (iv) renewable energy sources; and
3 (v) industrial and building activities.

4 (7) SELECTION OF PROJECTS.—

5 (A) IN GENERAL.—The Board shall be re-
6 sponsible for selecting qualified entities to re-
7 ceive assistance under this subsection.

8 (B) NOTIFICATION.—The Board shall not
9 provide assistance under this subsection until
10 the date that is 30 days after the date on which
11 the Board submits to the appropriate commit-
12 tees of Congress a notice of the proposed assist-
13 ance, including—

14 (i) in the case of a capacity building
15 program—

16 (I) a description of the capacity
17 building program to be funded using
18 the assistance;

19 (II) the terms and conditions of
20 the provision of assistance; and

21 (III) a description of how the ca-
22 pacity building program will con-
23 tribute to achieving the purposes of
24 this section; or

1 (ii) in the case of a technology pro-
2 gram—

3 (I) a description of the tech-
4 nology program to be funded using
5 the assistance;

6 (II) the terms and conditions of
7 the provision of assistance;

8 (III) an estimate of the addi-
9 tional quantity of greenhouse gas
10 emission reductions expected due to
11 the use of the assistance; and

12 (IV) a description of how the
13 technology program will contribute to
14 achieving the purposes of this section.

15 (d) REPORTS.—

16 (1) INITIAL REPORT.—Not later than 270 days
17 after the date of enactment of this Act, the Presi-
18 dent shall submit to the appropriate committees of
19 Congress a report describing the criteria to be used
20 to determine whether a country is an eligible coun-
21 try.

22 (2) SUBSEQUENT REPORTS.—Not later than 1
23 year after the date of enactment of this Act, and an-
24 nually thereafter, the President shall submit to the
25 appropriate committees of Congress a report describ-

1 ing the assistance provided under this section by the
2 Board during the preceding calendar year, includ-
3 ing—

4 (A) the aggregate amount of assistance
5 provided for capacity building initiatives and
6 technology deployment initiatives; and

7 (B) a description of each initiative funded
8 using the assistance, including—

9 (i) the amount of assistance provided;

10 (ii) the terms and conditions of provi-
11 sion of the assistance; and

12 (iii) the anticipated reductions in
13 greenhouse gas emissions to be achieved as
14 a result of technology deployment initia-
15 tives.

16 (e) EFFECT OF SECTION.—Nothing in this section al-
17 ters or affects any authority of the Secretary of State
18 under—

19 (1) title V of the Foreign Relations Authoriza-
20 tion Act, Fiscal Year 1979 (22 U.S.C. 2656a et
21 seq.); or

22 (2) section 622(c) of the Foreign Assistance
23 Act of 1961 (22 U.S.C. 2382(c)).

24 (f) AUTHORIZATION OF APPROPRIATIONS.—There is
25 authorized to be appropriated to carry out this section

1 \$2,000,000,000 for the period of fiscal years 2009
2 through 2011.

3 (g) TERMINATION OF AUTHORITY.—The program es-
4 tablished under this section, and all authority provided
5 under this section, shall terminate on the date on which
6 the International Clean Energy Technology Program is es-
7 tablished under section 1321.

8 **Subtitle C—Research**

9 **SEC. 121. RESEARCH ON EFFECTS OF CLIMATE CHANGE ON** 10 **DRINKING WATER UTILITIES.**

11 (a) IN GENERAL.—The Administrator, in cooperation
12 with the Secretary of Commerce, the Secretary of Energy,
13 and the Secretary of the Interior, shall establish and carry
14 out a program of directed and applied research, to be con-
15 ducted through a nonprofit water research foundation and
16 sponsored by drinking water utilities, to assist suppliers
17 of drinking water in adapting to the effects of climate
18 change.

19 (b) RESEARCH AREAS.—The research conducted
20 under subsection (a) shall include research relating to—

21 (1) the impacts of climate change on, and solu-
22 tions to problems involving, water quality, including
23 research—

24 (A) to address probable impacts on raw
25 water quality resulting from—

1 (i) erosion and turbidity from extreme
2 precipitation events;

3 (ii) watershed vegetation changes; and

4 (iii) increasing ranges of pathogens,
5 algae, and nuisance organisms resulting
6 from warmer temperatures; and

7 (B) relating to the mitigation of increased
8 damage to watersheds and water quality by
9 evaluating extreme events, such as wildfires and
10 hurricanes, to learn and develop management
11 approaches to mitigate—

12 (i) permanent watershed damage;

13 (ii) quality and yield impacts on
14 source waters; and

15 (iii) increased costs of water treat-
16 ment;

17 (2) impacts on groundwater supplies from car-
18 bon sequestration, including research to evaluate po-
19 tential water quality consequences of carbon seques-
20 tration in various regional aquifers, soil conditions,
21 and mineral deposits;

22 (3) the impacts of climate change on, and solu-
23 tions to problems involving, water quantity, includ-
24 ing research—

1 (A) to evaluate climate change impacts on
2 water resources throughout hydrological basins
3 of the United States;

4 (B) to improve the accuracy and resolution
5 of climate change models at the regional level;

6 (C) to identify and explore options for in-
7 creasing conjunctive use of aboveground and
8 underground storage of water; and

9 (D) to optimize the operation of existing
10 and new reservoirs in diminished and erratic
11 periods of precipitation and runoff;

12 (4) infrastructure impacts and solutions for
13 water treatment facilities and underground pipelines,
14 including research—

15 (A) to evaluate and mitigate the impacts of
16 sea level rise on—

17 (i) near-shore facilities;

18 (ii) soil drying and subsidence; and

19 (iii) reduced flows in water and waste-
20 water pipelines; and

21 (B) relating to methods of increasing the
22 resilience of existing infrastructure and develop-
23 ment of new design standards for future infra-
24 structure;

1 (5) desalination, water reuse, and alternative
2 supply technologies, including research—

3 (A) to improve and optimize existing mem-
4 brane technologies, and to identify and develop
5 breakthrough technologies, to enable the use of
6 seawater, brackish groundwater, treated waste-
7 water, and other impaired sources;

8 (B) relating to new sources of water
9 through cost-effective water treatment practices
10 in recycling and desalination; and

11 (C) to improve technologies for use in—

12 (i) managing and minimizing the vol-
13 ume of desalination and reuse concentrate
14 streams; and

15 (ii) minimizing the environmental im-
16 pacts of seawater intake at desalination fa-
17 cilities;

18 (6) efficiency and the minimization of green-
19 house gas emissions, including research—

20 (A) relating to optimizing the efficiency of
21 water supply and improving water efficiency in
22 energy production; and

23 (B) to identify and develop renewable, car-
24 bon-neutral options for the water supply indus-
25 try;

1 (7) regional and hydrological basin cooperative
2 water management solutions, including research
3 into—

4 (A) institutional mechanisms for greater
5 regional cooperation and use of water ex-
6 changes, banking, and transfers; and

7 (B) the economic benefits of sharing risks
8 of shortage across wider areas;

9 (8) utility management, decision support sys-
10 tems, and water management models, including re-
11 search—

12 (A) relating to improved decision support
13 systems and modeling tools for use by water
14 utility managers to assist with increased water
15 supply uncertainty and adaptation strategies
16 posed by climate change;

17 (B) to provide financial tools, including
18 new rate structures, to manage financial re-
19 sources and investments, due to the fact that
20 increased conservation practices might diminish
21 revenue and increase investments in infrastruc-
22 ture; and

23 (C) to develop improved systems and mod-
24 els for use in evaluating—

1 (i) successful alternative methods for
2 conservation and demand management;
3 and

4 (ii) climate change impacts on
5 groundwater resources;

6 (9) reducing greenhouse gas emissions and de-
7 mand management, including research—

8 (A) to improve efficiency in water collec-
9 tion, production, transmission, treatment, dis-
10 tribution, and disposal to provide more sustain-
11 ability; and

12 (B) relating to means of assisting drinking
13 water utilities in reducing the production of
14 greenhouse gas emissions in the collection, pro-
15 duction, transmission, treatment, distribution,
16 and disposal of drinking water;

17 (10) water conservation and demand manage-
18 ment, including research—

19 (A) to develop strategic approaches to
20 water demand management that offer the low-
21 est-cost, noninfrastructural options to serve
22 growing populations or manage declining sup-
23 plies, primarily through—

24 (i) efficiencies in water use and re-
25 allocation of saved water;

1 (ii) demand management tools;

2 (iii) economic incentives; and

3 (iv) water-saving technologies; and

4 (B) relating to efficiencies in water man-
5 agement through integrated water resource
6 management that incorporates—

7 (i) supply-side and demand-side proc-
8 esses;

9 (ii) continuous adaptive management;

10 and

11 (iii) the inclusion of stakeholders in
12 decisionmaking processes; and

13 (11) communications, education, and public ac-
14 ceptance, including research—

15 (A) relating to improved strategies and ap-
16 proaches for communicating with customers, de-
17 cisionmakers, and other stakeholders about the
18 implications of climate change regarding water
19 supply; and

20 (B) to develop effective communication ap-
21 proaches to achieve—

22 (i) public acceptance of alternative
23 water supplies and new policies and prac-
24 tices, including conservation and demand
25 management; and

1 (ii) public recognition and acceptance
2 of increased costs.

3 (c) AUTHORIZATION OF APPROPRIATIONS.—There
4 are authorized to be appropriated such sums as are nec-
5 essary to carry out this section.

6 **SEC. 122. ROCKY MOUNTAIN CENTERS FOR STUDY OF COAL**
7 **UTILIZATION.**

8 (a) DESIGNATION.—The University of Wyoming and
9 Montana State University shall be known and designated
10 as the “Rocky Mountain Centers of the Study of Coal Uti-
11 lization”.

12 (b) AUTHORIZATION OF APPROPRIATIONS.—There
13 are authorized to be appropriated such sums as are nec-
14 essary to carry out this section.

15 **SEC. 123. SUN GRANT CENTER FOR RESEARCH ON COMPLI-**
16 **ANCE WITH CLEAN AIR ACT.**

17 (a) DESIGNATION.—Each sun grant center des-
18 igned under section 7526 of the Food, Conservation, and
19 Energy Act of 2008 is designated as a research institution
20 of the Environmental Protection Agency for the purpose
21 of conducting studies regarding the effects of biofuels and
22 biomass on national and regional compliance with the
23 Clean Air Act (42 U.S.C. 7401 et seq).

24 (b) FUNDING.—The Administrator shall provide to
25 the sun grant centers such funds as the Administrator de-

1 termines to be necessary to carry out the studies described
2 in subsection (a).

3 (c) AUTHORIZATION OF APPROPRIATIONS.—There
4 are authorized to be appropriated such sums as are nec-
5 essary to carry out this section.

6 **SEC. 124. STUDY BY ADMINISTRATOR OF BLACK CARBON**
7 **EMISSIONS.**

8 (a) STUDY.—The Administrator shall conduct a
9 study of black carbon emissions, including—

10 (1) an identification of—

11 (A) the latest scientific data relevant to the
12 climate-related impacts of black carbon emis-
13 sions from diesel engines and other sources;

14 (B)(i) the major sources of black carbon
15 emissions in the United States and worldwide;
16 and

17 (ii) an estimate of black carbon emissions
18 from those sources;

19 (C) the diesel and other direct emission
20 control technologies, operations, or strategies to
21 remove or reduce emissions of black carbon, in-
22 cluding estimates of the costs and effectiveness
23 of the measures; and

1 (D) the entire lifecycle and net climate im-
2 pacts of installation of diesel particulate filters
3 on existing heavy-duty diesel engines; and

4 (2) recommendations of the Administrator re-
5 garding—

6 (A) areas of focus for additional research
7 for technologies, operations, and strategies with
8 the highest potential to reduce emissions of
9 black carbon; and

10 (B) actions the Federal Government could
11 carry out to encourage or require additional
12 black carbon emission reductions.

13 (b) REPORT.—Not later than 180 days after the date
14 of enactment of this Act, the Administrator shall submit
15 to Congress a report describing the results of the study.

16 (c) AUTHORIZATION OF APPROPRIATIONS.—There
17 are authorized to be appropriated such sums as are nec-
18 essary to carry out this section.

19 **SEC. 125. STUDY BY ADMINISTRATOR OF RECYCLING.**

20 (a) STUDY.—The Administrator shall conduct a
21 study of the lifecycle greenhouse gas emission reductions
22 and other benefits and issues associated with—

23 (1) recycling scrap metal, including end-of-life
24 vehicles, recovered paper and other fiber, scrap elec-

1 tronics, scrap glass, scrap plastics, scrap tires and
2 other rubber, and scrap textiles;

3 (2) using recycled materials in manufactured
4 products;

5 (3) designing and manufacturing products that
6 increase recyclable output;

7 (4) eliminating or reducing the use of sub-
8 stances and materials in products that decrease re-
9 cyclable output; and

10 (5) establishing a standardized system for
11 lifecycle greenhouse gas emission reduction measure-
12 ment and certification for the manufactured prod-
13 ucts and scrap recycling sectors, including the poten-
14 tial options for the structure and operation of such
15 a system.

16 (b) REPORT.—Not later than 180 days after the date
17 of enactment of this Act, the Administrator shall submit
18 to Congress a report describing the results of the study.

19 (c) AUTHORIZATION OF APPROPRIATIONS.—There
20 are authorized to be appropriated such sums as are nec-
21 essary to carry out this section.

22 **SEC. 126. RETAIL CARBON OFFSETS.**

23 (a) DEFINITION OF RETAIL CARBON OFFSET.—In
24 this section, the term “retail carbon offset” means any
25 carbon credit or carbon offset that cannot be used in satis-

1 faction of any mandatory compliance obligation under a
 2 regulatory system for reducing greenhouse gas emissions.

3 (b) QUALIFYING LEVELS AND REQUIREMENTS.—Not
 4 later than January 1, 2009, the Administrator shall estab-
 5 lish new qualifying levels and requirements for Energy
 6 Star certification for retail carbon offsets, effective begin-
 7 ning January 1, 2010.

8 **TITLE II—CAPPING**
 9 **GREENHOUSE GAS EMISSIONS**

10 **SEC. 201. EMISSION ALLOWANCES.**

11 (a) ESTABLISHMENT.—Not later than 60 days after
 12 the date of enactment of this Act, the Administrator shall
 13 establish a quantity of emission allowances for each of cal-
 14 endar years 2012 through 2050, as follows:

Calendar Year	Quantity of emission allowances (in millions)
2012	5,775
2013	5,669
2014	5,562
2015	5,456
2016	5,349
2017	5,243
2018	5,137
2019	5,030
2020	4,924
2021	4,817
2022	4,711
2023	4,605
2024	4,498
2025	4,392
2026	4,286
2027	4,179
2028	4,073
2029	3,966
2030	3,860
2031	3,754
2032	3,647

Calendar Year	Quantity of emission allowances (in millions)
2033	3,541
2034	3,435
2035	3,328
2036	3,222
2037	3,115
2038	3,009
2039	2,903
2040	2,796
2041	2,690
2042	2,584
2043	2,477
2044	2,371
2045	2,264
2046	2,158
2047	2,052
2048	1,945
2049	1,839
2050	1,732.

1 (b) IDENTIFICATION NUMBERS.—The Administrator
2 shall assign to each emission allowance established under
3 subsection (a) a unique identification number that in-
4 cludes the calendar year for which that emission allowance
5 was established.

6 (c) LEGAL STATUS.—

7 (1) IN GENERAL.—An emission allowance shall
8 not be a property right.

9 (2) TERMINATION OR LIMITATION.—Nothing in
10 this Act or any other provision of law shall limit the
11 authority of the Administrator to terminate or limit
12 an emission allowance.

13 (3) OTHER PROVISIONS UNAFFECTED.—Noth-
14 ing in this Act relating to emission allowances shall

1 affect the application of, or compliance with, any
2 other provision of law to or by a covered entity.

3 **SEC. 202. COMPLIANCE OBLIGATION.**

4 (a) IN GENERAL.—Not later than 90 days after the
5 end of each of calendar years 2012 through 2050, the
6 owner or operator of a covered entity shall submit to the
7 Administrator an emission allowance or an offset allow-
8 ance for each carbon dioxide equivalent of—

9 (1) non-HFC greenhouse gas that was emitted
10 by that covered entity in the United States during
11 the preceding calendar year through the use of coal;

12 (2) non-HFC greenhouse gas that will be emit-
13 ted through the use of petroleum-based liquid or
14 gaseous fuel, petroleum coke, or coal-based liquid or
15 gaseous fuel that was, during the preceding calendar
16 year, manufactured by that covered entity in the
17 United States or imported into the United States by
18 that covered entity;

19 (3) non-HFC greenhouse gas, that was, during
20 the preceding calendar year, manufactured by that
21 covered entity in the United States or imported into
22 the United States by that covered entity, in each
23 case in which the non-HFC greenhouse gas is not
24 itself a petroleum- or coal-based gaseous fuel or nat-
25 ural gas;

1 (4) each HFC that was, during the preceding
2 calendar year, emitted as a byproduct of
3 hydrochlorofluorocarbon manufacture in the United
4 States by that covered entity; and

5 (5) non-HFC greenhouse gas that will be emit-
6 ted—

7 (A) through the use of natural gas that
8 was, during the preceding calendar year, proc-
9 essed in the United States by that covered enti-
10 ty, imported into the United States by that cov-
11 ered entity, or produced in the State of Alaska
12 or the Federal waters of the outer Continental
13 Shelf off the coast of that State by that covered
14 entity and not reinjected into the field; or

15 (B) through the use of natural gas liquids
16 that were, during the preceding year, processed
17 in the United States by that covered entity or
18 imported into the United States by that covered
19 entity.

20 (b) ASSUMPTION.—

21 (1) IN GENERAL.—Subject to paragraph (2),
22 for the purpose of calculating any submission re-
23 quirement under subsection (a), the Administrator
24 shall assume that no sequestration, destruction, or

1 retention of greenhouse gas has occurred or will
2 occur.

3 (2) EXCEPTION.—Notwithstanding paragraph
4 (1), neither paragraph (2) nor paragraph (5) of sub-
5 section (a) requires a covered entity to submit emis-
6 sion allowances or offset allowances for petroleum-
7 or coal-based liquid or gaseous fuel imported into
8 the United States, or for natural gas or natural gas
9 liquids imported into the United States, if the fuel
10 or liquid the substance was imported solely for use
11 as a feedstock, and to the extent that no greenhouse
12 gas is emitted through the use of that fuel or sub-
13 stance as a feedstock.

14 (c) EXCLUDING PETROLEUM-BASED LIQUID FUEL
15 IMPORTED FROM A CAPPED NAFTA COUNTRY.—The
16 regulations promulgated pursuant to section 204 shall
17 provide for the exclusion from the compliance obligation
18 under subsection (a)(2) of petroleum-based liquid fuel im-
19 ported into the United States from a NAFTA country in
20 any case in which the Administrator has determined, after
21 public notice and an opportunity for public comment,
22 that—

23 (1) the NAFTA country has enacted national
24 greenhouse gas emissions reduction requirements

1 that are not less stringent than those established for
2 the United States by this Act; and

3 (2) the petroleum-based liquid fuel imported
4 into the United States from the NAFTA country
5 was produced or manufactured at or by an entity
6 that was, at the time of the production or manufac-
7 ture, directly subject to regulatory requirements,
8 pursuant to the enacted greenhouse gas emission re-
9 duction requirements of the NAFTA country, to
10 submit allowances covering any greenhouse gas emit-
11 ted through the use of the liquid fuel.

12 (d) RETIREMENT OF ALLOWANCES UPON RE-
13 CEIPT.—Immediately upon receiving an allowance under
14 subsection (a), the Administrator shall retire the allow-
15 ance.

16 (e) DESTRUCTION CREDIT.—

17 (1) IN GENERAL.—Not later than 90 days after
18 the end of each of calendar years 2012 through
19 2050, the Administrator shall establish and dis-
20 tribute to any entity in the United States that the
21 Administrator determines destroyed greenhouse gas
22 in the United States during the calendar year a
23 quantity of emission allowances equal to the quantity
24 of carbon dioxide equivalents of non-HFC green-
25 house gas that the Administrator determines the en-

1 tity destroyed in the United States during that cal-
2 endar year.

3 (2) DESTRUCTION OF METHANE THROUGH
4 COMBUSTION.—Paragraph (1) shall not apply to the
5 destruction of methane through combustion.

6 (f) SEQUESTRATION CREDIT.—Not later than 90
7 days after the end of each of calendar years 2012 through
8 2050, the Administrator shall establish and distribute to
9 each covered entity subject to any of paragraphs (2)
10 through (5) of subsection (a) that the Administrator de-
11 termines captured and geologically sequestered carbon di-
12 oxide during the calendar year a quantity of emission al-
13 lowances equal to the quantity of metric tons of carbon
14 dioxide that the entity captured and geologically seques-
15 tered in the United States during that calendar year.

16 (g) NONEMISSIVE USE CREDIT.—

17 (1) IN GENERAL.—Subject to paragraph (2),
18 not later than 90 days after the end of each of cal-
19 endar years 2012 through 2050, the Administrator
20 shall establish and distribute to each entity in the
21 United States that the Administrator determines
22 used in the United States during that calendar year
23 a petroleum- or coal-based product, natural gas, or
24 natural gas liquid as a feedstock, or used a
25 perfluorocarbon in semiconductor research or manu-

1 facturing in the United States during that calendar
2 year, an emission allowance for each carbon dioxide
3 equivalent of greenhouse gas that was not emitted
4 through the use of that feedstock or perfluorocarbon,
5 notwithstanding the submission of an emission al-
6 lowance or offset allowance for that carbon dioxide
7 equivalent under subsection (a).

8 (2) NONAPPLICABILITY TO CERTAIN FEED-
9 STOCK USES.—Paragraph (1) shall not apply to any
10 feedstock use to which subsection (b)(2) applies.

11 (h) EXPORT CREDIT.—Not later than 90 days after
12 the end of each of calendar years 2012 through 2050, the
13 Administrator shall establish and distribute to each entity
14 that the Administrator determines exported from the
15 United States a product described in paragraph (2), (3),
16 or (5) of subsection (a) during that calendar year a quan-
17 tity of emission allowances equal to the quantity of allow-
18 ances submitted for that product under 1 of those para-
19 graphs.

20 (i) INTERNATIONAL FLIGHT CREDIT.—Not later
21 than 90 days after the end of each of calendar years 2012
22 through 2050, the Administrator shall establish and dis-
23 tribute to each entity that the Administrator determines
24 purchased in the United States fuel for an international
25 flight the greenhouse gas emissions of which were regu-

1 lated by the laws of another country a quantity of emission
2 allowances equal to the quantity of allowances submitted
3 for that fuel under subsection (a)(2).

4 (j) DETERMINATION OF COMPLIANCE.—Not later
5 than 180 days after the end of each of calendar years
6 2012 through 2050, the Administrator shall determine
7 whether the owners and operators of all covered entities
8 are in full compliance with subsection (a) for that calendar
9 year.

10 (k) PROHIBITION.—A covered entity shall not sub-
11 mit, and the Administrator shall not accept, any allowance
12 established pursuant to section 1501 in satisfaction, in
13 whole or in part, of the compliance obligation under sub-
14 section (a).

15 **SEC. 203. PENALTY FOR NONCOMPLIANCE.**

16 (a) CASH PENALTY.—

17 (1) IN GENERAL.—The owner or operator of
18 any covered entity that fails for any year to submit
19 to the Administrator by the applicable deadline de-
20 scribed in section 202 1 or more of the allowances
21 due pursuant to that section shall be liable for the
22 payment to the Administrator of a cash penalty.

23 (2) AMOUNT.—The amount of a cash penalty
24 required to be paid under paragraph (1) shall be, as

1 determined by the Administrator, an amount equal
2 to the product obtained by multiplying—

3 (A) the quantity of allowances that the
4 owner or operator failed to submit; and

5 (B) the greater of—

6 (i) \$200; or

7 (ii) an amount, in dollars, equal to 3
8 times the average market value of an emis-
9 sion allowance during the calendar year for
10 which the allowances were due.

11 (3) TIMING.—A cash penalty required under
12 this subsection shall be immediately due and payable
13 to the Administrator, without demand.

14 (4) DEPOSIT.—The Administrator shall deposit
15 each cash penalty paid under this subsection into the
16 Treasury of the United States.

17 (5) NO EFFECT ON LIABILITY.—A cash penalty
18 due and payable by the owner or operator of a cov-
19 ered entity under this subsection shall not diminish
20 the liability of the owner or operator for any fine,
21 penalty, or assessment against the owner or operator
22 for the same violation under any other provision of
23 this Act or any other law.

24 (b) COMPENSATION.—The owner or operator of a
25 covered entity that fails for any year to submit to the Ad-

1 administrator, by the deadline described in section 202, 1
2 or more of the emission allowances due pursuant to that
3 section shall be liable to compensate for the shortfall with
4 a submission of excess allowances during—

5 (1) the following calendar year; or

6 (2) such longer period as the Administrator
7 may prescribe.

8 (c) PROHIBITION.—It shall be unlawful for the owner
9 or operator of any entity liable under subsections (a) and
10 (b) to fail to comply with a requirement under either of
11 those subsections.

12 (d) NO EFFECT ON OTHER LAW.—Nothing in this
13 title limits or otherwise affects the application of any other
14 enforcement provision under this Act or under any other
15 law.

16 **SEC. 204. REGULATIONS.**

17 Not later than 2 years after the date of enactment
18 of this Act, the Administrator shall promulgate regula-
19 tions to carry out this title.

20 **SEC. 205. REPORT TO CONGRESS.**

21 (a) IN GENERAL.—Not later than 2 years after the
22 date of enactment of this Act, the Administrator shall sub-
23 mit to the President and Congress a report on the regula-
24 tion under this Act of greenhouse gases emitted through
25 the use of natural gas in the United States.

1 (b) REQUIREMENTS.—The report submitted under
2 subsection (a) shall include options for increasing the per-
3 centage of the natural gas used in the United States that
4 is subject to greenhouse gas emission-reduction measures
5 while minimizing regulatory complexity.

6 **TITLE III—REDUCING EMIS-**
7 **SIONS THROUGH OFFSETS**
8 **AND INTERNATIONAL ALLOW-**
9 **ANCES**

10 **Subtitle A—Offsets in the United**
11 **States**

12 **SEC. 301. OUTREACH INITIATIVE ON REVENUE ENHANCE-**
13 **MENT FOR AGRICULTURAL PRODUCERS.**

14 (a) IN GENERAL.—The Secretary of Agriculture, act-
15 ing through the Chief of the Natural Resources Conserva-
16 tion Service, the Chief of the Forest Service, the Director
17 of the National Institute of Food and Agriculture, and
18 land-grant colleges and universities, in consultation with
19 the Administrator and the heads of other appropriate de-
20 partments and agencies, shall establish an outreach initia-
21 tive to provide information to agricultural producers, agri-
22 cultural organizations, foresters, State and local officials,
23 leaders from small businesses, nonprofit groups that may
24 engage in forest or natural resource projects, forest work-
25 ers, Indian tribes, and other landowners (referred to in

1 this section as “interested parties”) about opportunities
2 to earn new revenue under this subtitle.

3 (b) COMPONENTS.—The initiative under this sec-
4 tion—

5 (1) shall be designed to ensure, to the max-
6 imum extent practicable, that interested parties re-
7 ceive detailed, practical information about—

8 (A) opportunities to earn new revenue
9 under this subtitle;

10 (B) measurement protocols, monitoring,
11 verifying, inventorying, registering, insuring,
12 and marketing offsets under this title;

13 (C) emerging domestic and international
14 markets for energy crops, allowances, and off-
15 sets; and

16 (D) local, regional, and national databases
17 and aggregation networks to facilitate achieve-
18 ment, measurement, registration, and sales of
19 offsets;

20 (2) shall provide, in cooperation with other
21 stakeholders—

22 (A) outreach materials, including the hand-
23 book published under subsection (c), to inter-
24 ested parties;

25 (B) workshops; and

1 (C) technical assistance; and

2 (3) may include the creation and development
3 of regional marketing centers or coordination with
4 existing centers (including centers within the Nat-
5 ural Resources Conservation Service or the National
6 Institute of Food and Agriculture or at land-grant
7 colleges and universities).

8 (c) HANDBOOK.—

9 (1) IN GENERAL.—Not later than 1 year after
10 the date of enactment of this Act, the Secretary of
11 Agriculture, in consultation with the Administrator
12 and after providing an opportunity for public com-
13 ment, shall publish a handbook for use by interested
14 parties that provides easy-to-use guidance on achiev-
15 ing, reporting, registering, and marketing offsets.

16 (2) DISTRIBUTION.—The Secretary of Agri-
17 culture shall ensure, to the maximum extent prac-
18 ticable, that the handbook—

19 (A) is made available through the Internet
20 and in other electronic media;

21 (B) includes, with respect to the electronic
22 form of the handbook described in subpara-
23 graph (A), electronic forms and calculation
24 tools to facilitate the petition process for new
25 methodologies; and

1 (C) is distributed widely through land-
2 grant colleges and universities and other appro-
3 priate institutions.

4 (3) UPDATING.— The Secretary of Agriculture
5 shall update the handbook at least every 5 years, or
6 more frequently as needed to reflect developments in
7 science, practices, methodologies, measurement pro-
8 tocols, and emerging markets.

9 **SEC. 302. ESTABLISHMENT OF A DOMESTIC OFFSET PRO-**
10 **GRAM.**

11 (a) REGULATIONS.—Not later than 2 years after the
12 date of enactment of this Act, the Administrator, in con-
13 junction with the Secretary of Agriculture, shall promul-
14 gate regulations authorizing the certification and issuance
15 of offset allowances in accordance with this subtitle.

16 (b) USE.—

17 (1) IN GENERAL.—Subject to paragraph (3),
18 the quantity of offset allowances issued pursuant to
19 subsection (d) in a calendar year shall not exceed 15
20 percent of the quantity of emission allowances estab-
21 lished for that year pursuant to section 201(a).

22 (2) USE OF INTERNATIONAL ALLOWANCES.—

23 (A) IN GENERAL.—If the quantity of offset
24 allowances issued in a calendar year pursuant
25 to subsection (d) is less than 15 percent of the

1 quantity of emission allowances established for
2 that year pursuant to section 201(a), the Ad-
3 ministrator shall allow the use, by covered enti-
4 ties in that year, of international allowances
5 under section 322 and international forest car-
6 bon credits under section 1313.

7 (B) MAXIMUM QUANTITY.—The maximum
8 aggregate quantity of international allowances
9 and international forest carbon credits the use
10 of which the Administrator shall allow for a cal-
11 endar year under subparagraph (A) shall be
12 equal to the difference between—

13 (i) 15 percent of the quantity of emis-
14 sion allowances established for that year
15 pursuant to section 201(a); and

16 (ii) the quantity of offset allowances
17 issued in that year pursuant to subsection
18 (d).

19 (3) CARRY-OVER.—

20 (A) IN GENERAL.—If the sum of the quan-
21 tity of offset allowances issued for a calendar
22 year pursuant to subsection (d) and the quan-
23 tity of international allowances and inter-
24 national forest carbon credits used in that cal-
25 endar year pursuant to paragraph (2) is less

1 than 15 percent of the quantity of emission al-
2 lowances established for that calendar year pur-
3 suant to section 201(a), notwithstanding para-
4 graph (1), the quantity of offset allowances
5 issued pursuant to subsection (d) in the subse-
6 quent calendar year shall not exceed the sum
7 obtained by adding—

8 (i) 15 percent of the quantity of emis-
9 sion allowances established for that subse-
10 quent calendar year pursuant to section
11 201(a); and

12 (ii) the difference between—

13 (I) 15 percent of the quantity of
14 emission allowances established for
15 that year pursuant to section 201(a);
16 and

17 (II) the sum obtained by adding
18 the quantity of offset allowances
19 issued in the preceding calendar year
20 pursuant to subsection (d) and the
21 quantity of international allowances
22 and international forest carbon credits
23 used in that year pursuant to para-
24 graph (2).

1 (4) EXCHANGE FOR REGIONAL GREENHOUSE
2 GAS INITIATIVE OFFSETS.—The Administrator
3 shall—

4 (A) issue offset allowances, at an appro-
5 priate discount rate, for offset allowances issued
6 under the Regional Greenhouse Gas Initiative;
7 and

8 (B) ensure that enough capacity remains
9 within the limitation under paragraph (1) to
10 carry out exchanges with all interested parties.

11 (c) REQUIREMENTS.—The regulations promulgated
12 pursuant to subsection (a) shall—

13 (1) authorize the issuance and certification of
14 offset allowances only for greenhouse gas emission
15 reductions or increases in sequestration relative to
16 the offset project baseline, for offset projects ap-
17 proved pursuant to section 304 in categories on the
18 list issued under section 303;

19 (2) ensure that those offsets represent real,
20 verifiable, additional, permanent, and enforceable re-
21 ductions in greenhouse gas emissions or increases in
22 sequestration;

23 (3) require that the project developer for an off-
24 set project establish the project baseline and register
25 emissions with the Registry;

1 (4) specify the types of offset projects eligible
2 to generate offset allowances, in accordance with
3 section 303;

4 (5) establish procedures to monitor, quantify,
5 and discount reductions in greenhouse gas emissions
6 or increases in biological sequestration, in accord-
7 ance with section 303;

8 (6) establish procedures for project initiation
9 and approval, in accordance with section 304;

10 (7) establish procedures for third-party
11 verification, registration, and issuance of offset al-
12 lowances, in accordance with section 305;

13 (8) ensure permanence of offsets by mitigating
14 and compensating for reversals, in accordance with
15 section 306; and

16 (9) assign a unique serial number to each offset
17 allowance issued under this section.

18 (d) OFFSET ALLOWANCES AWARDED.—The Admin-
19 istrator shall issue to a project developer offset allowances
20 for qualifying emission reductions and biological seques-
21 trations from offset projects that satisfy the applicable re-
22 quirements of this subtitle, unless an alternative recipient
23 is specified in a legally-binding contract or agreement.

24 (e) TRANSFERABILITY; COMPENSATION FOR REVER-
25 SALS.—

1 (1) TRANSFERABILITY.—An offset allowance
2 generated pursuant to this subtitle may be sold,
3 traded, or transferred, on the condition that the off-
4 set allowance has not expired or been retired or can-
5 celed.

6 (2) COMPENSATION FOR REVERSALS.—With re-
7 spect to a biological sequestration project, a project
8 developer shall be responsible for mitigating and
9 compensating for reversals of registered offset allow-
10 ances unless a different responsible party is specified
11 in a legally-binding contract or agreement.

12 (f) ACCOUNTING PERIOD.—

13 (1) IN GENERAL.—The Administrator shall
14 issue offset allowances—

15 (A) on an annual basis, beginning on the
16 date on which the initiation of an offset project
17 is approved; and

18 (B) that equal the verified and certified
19 emission reductions or increases in sequestra-
20 tion achieved by the offset project.

21 (2) BASELINE VALIDITY.—An emission baseline
22 approved for an offset project shall be valid for a pe-
23 riod of 5 years before being subject to revision.

1 **SEC. 303. ELIGIBLE OFFSET PROJECT TYPES.**

2 (a) IN GENERAL.—An offset allowance from an agri-
3 cultural, forestry, or other land use-related project shall
4 be provided only for achieving an offset of 1 or more
5 greenhouse gases by a method other than a reduction of
6 combustion of greenhouse gas-emitting fuel.

7 (b) CATEGORIES OF ELIGIBLE OFFSET PROJECTS.—

8 (1) IN GENERAL.—The Administrator, after
9 providing public notice and an opportunity for com-
10 ment, shall issue and periodically revise a list of cat-
11 egories of offset projects for the Administrator shall
12 issue an offset methodology.

13 (2) CATEGORIES.—The Administrator shall
14 consider including on the list under paragraph (1)—

15 (A) agricultural and rangeland sequestra-
16 tion and management practices, including—

17 (i) altered tillage practices;

18 (ii) winter cover cropping, continuous
19 cropping, and other means to increase bio-
20 mass returned to soil in lieu of planting
21 followed by fallowing;

22 (iii) conversion of cropland to range-
23 land or grassland, on the condition that
24 the land has been in nonforest use for at
25 least 10 years before the date of initiation
26 of the project;

1 (iv) reduction of nitrogen fertilizer use
2 or increase in nitrogen use efficiency;

3 (v) reduction in the frequency and du-
4 ration of flooding of rice paddies; and

5 (vi) reduction in carbon emissions
6 from organic soils;

7 (B) changes in carbon stocks attributed to
8 land use change and forestry activities limited
9 to—

10 (i) afforestation or reforestation of
11 acreage not forested as of October 18,
12 2007; and

13 (ii) forest management resulting in an
14 increase in forest stand volume;

15 (C) manure management and disposal, in-
16 cluding—

17 (i) waste aeration; and

18 (ii) methane capture and combustion;

19 (D) subject to the requirements of this
20 subtitle, any other terrestrial offset practices
21 identified by the Administrator, including—

22 (i) the capture or reduction of fugitive
23 greenhouse gas emissions for which no cov-
24 ered entity is required under section
25 202(a) to submit any emission allowances,

1 offset allowances, or international allow-
2 ances;

3 (ii) methane capture and combustion
4 at nonagricultural facilities; and

5 (iii) other actions that result in the
6 avoidance or reduction of greenhouse gas
7 emissions in accordance with section 302;

8 (E) combinations of any of the offset prac-
9 tices described in subparagraphs (A) through
10 (D); and

11 (F) any other category proposed to the Ad-
12 ministrator by petition.

13 (c) REQUIREMENTS FOR OFFSET METHODOLO-
14 GIES.—

15 (1) ISSUANCE.—Not later than 3 years after
16 the date of enactment of this Act, and after public
17 notice and an opportunity for comment, the Admin-
18 istrator shall issue a methodology for each category
19 of offset project listed pursuant to subsection (b).

20 (2) SPECIFIC REQUIREMENTS.—The method-
21 ology for each category issued under paragraph (1)
22 shall—

23 (A) specify requirements for—

24 (i) determining the eligibility of an
25 offset project;

1 (ii) determining additional emission
2 reductions or sequestrations from an offset
3 project;

4 (iii) accounting for emission leakage
5 associated with an offset project;

6 (iv) accounting for a reversal, and
7 managing for the risk of reversal, from an
8 offset project; and

9 (v) monitoring, verifying, and report-
10 ing the operation of an offset project; and

11 (B) include—

12 (i) a procedure for determining that—

13 (I) an offset project does not re-
14 ceive support from an allowance allo-
15 cation under this Act or from any
16 other government incentive, subsidy,
17 or mandate; and

18 (II) the emission reductions or
19 sequestrations from an offset project
20 are not double-counted under any
21 other program;

22 (ii) a procedure for delineating the
23 boundaries of an offset project and deter-
24 mining the extent, if any, of emission leak-
25 age from the offset project, based on sci-

1 entifically sound methods, as determined
2 by the Administrator;

3 (iii) a description of scientifically
4 sound methods, as determined by the Ad-
5 ministrator, for use in monitoring, meas-
6 uring, and quantifying changes in emis-
7 sions or sequestrations resulting from an
8 offset project, including—

9 (I) a method for use in quanti-
10 fying the uncertainty in those meas-
11 urements; and

12 (II) a description of site-specific
13 data that will be used in that moni-
14 toring, measurement, and quantifica-
15 tion;

16 (iv) a procedure for use in estab-
17 lishing the baseline for an offset project
18 that ensures that offset allowances will be
19 issued only for emission reductions or se-
20 questrations that are additional;

21 (v)(I) a threshold of uncertainty in
22 the quantification of emission reductions or
23 sequestrations and for baseline emission
24 levels above which an offset project shall

1 not be eligible to receive offset allowances;
2 and

3 (II) a procedure by which a project
4 developer may petition for use of different
5 uncertainty factors if the project developer
6 demonstrates to the Administrator that the
7 measurement methods used by the offset
8 project have less uncertainty than assumed
9 under the default methodology;

10 (vi) clear and objective tests specified
11 by the Administrator that are sufficient to
12 ensure that—

13 (I) an offset project will be eligi-
14 ble to generate offset allowances only
15 if, in the judgment of the Adminis-
16 trator, the project is additional;

17 (II) no part of the offset project
18 is required by Federal or State regu-
19 lations or commonly accepted industry
20 standards, as determined by the Ad-
21 ministrator;

22 (III) the offset project uses tech-
23 nologies or practices that are not in
24 common use within a relevant juris-

1 diction or industry, as defined by the
2 Administrator; and

3 (IV) the offset project would not
4 take place in the absence of the rev-
5 enue generated by the sale of offset
6 allowances;

7 (vii) a procedure to quantify leakage
8 and ensure that the issuance of offset al-
9 lowances is reduced by an amount equiva-
10 lent to the quantity of that leakage;

11 (viii)(I) a methodology for use in as-
12 sessing the risk that a sequestration will be
13 reversed;

14 (II) a description of measures that
15 will be taken to reduce that risk; and

16 (III) a description of procedures that
17 will be followed to measure, report, and
18 compensate for any reversal that does
19 occur;

20 (ix) a procedure for use in—

21 (I) determining whether the
22 quantity of carbon sequestered on or
23 in land where a project is carried out
24 was significantly changed during the

1 10-year period prior to initiation of
2 the project; and

3 (II) excluding the offset project
4 from receiving allowances under this
5 subtitle, or adjusting the baseline of
6 the offset project accordingly; and

7 (x) a protocol for use in reporting
8 emission reductions or sequestrations (and
9 any reversals) at least annually.

10 (3) CONSULTATION.—In the case of an offset
11 project relating to agriculture or forestry, the Ad-
12 ministrator shall consult with the Secretary of Agri-
13 culture in carrying out this subsection.

14 (4) REVISION.—The Administrator shall revise
15 each methodology issued under paragraph (1), after
16 public notice and an opportunity for comment, at
17 least every 5 years.

18 (5) PROJECT CONFORMITY.—Beginning 1 year
19 after the date by which a methodology is required to
20 be revised under paragraph (4), no further offset al-
21 lowances shall be issued to an offset project ap-
22 proved under the methodology unless the offset
23 project is demonstrated to be in conformity with the
24 applicable revisions.

25 (d) TECHNOLOGIES.—

1 (1) IN GENERAL.—The Administrator may
2 issue, after notice and comment, a list of tech-
3 nologies and associated performance benchmarks the
4 achievement of which the Administrator has deter-
5 mined shall be considered to be additional in specific
6 project applications.

7 (2) PERIOD OF VALIDITY.—A determination of
8 the Administrator under paragraph (1) shall be valid
9 for not more than 5 years after the date of the de-
10 termination.

11 (e) METHODOLOGY TESTING.—The Administrator
12 may not issue a methodology under this section until the
13 Administrator determines that—

14 (1) the methodology has been tested by 3 inde-
15 pendent expert teams on at least 3 different offset
16 projects to which that methodology applies; and

17 (2) the emission reductions or sequestrations
18 estimated by the expert teams for the same offset
19 project do not differ by more than 10 percent.

20 **SEC. 304. PROJECT INITIATION AND APPROVAL.**

21 (a) PROJECT APPROVAL.—A project developer—

22 (1) may submit a petition for offset project ap-
23 proval at any time following the effective date of
24 regulations promulgated under section 302; but

1 (2) may not use or distribute offset allowances
2 until such approval is received and until after the
3 emission reductions or sequestrations supporting the
4 offset allowances have actually occurred.

5 (b) PETITION PROCESS.—Prior to offset registration
6 and issuance of offset allowances, a project developer shall
7 submit to the Administrator a petition that consists of—

8 (1) a copy of the monitoring and quantification
9 plan prepared for the offset project, as described in
10 subsection (d);

11 (2) a greenhouse gas initiation certification, as
12 described in subsection (e); and

13 (3) subject to this subtitle, any other informa-
14 tion identified by the Administrator in the regula-
15 tions promulgated under section 302 as being nec-
16 essary to meet the objectives of this subtitle.

17 (c) APPROVAL AND NOTIFICATION.—

18 (1) IN GENERAL.—Not later than 180 days
19 after the date on which the Administrator receives a
20 complete petition under subsection (b), the Adminis-
21 trator shall—

22 (A) determine whether the monitoring and
23 quantification plan satisfies the applicable re-
24 quirements of this subtitle;

1 (B) determine whether the greenhouse gas
2 initiation certification indicates a significant de-
3 viation in accordance with subsection (e)(3);
4 and

5 (C) notify the project developer of the de-
6 terminations under subparagraphs (A) and (B).

7 (2) APPEAL.—The Administrator shall establish
8 mechanisms for appeal and review of determinations
9 made under this subsection.

10 (d) MONITORING AND QUANTIFICATION.—

11 (1) IN GENERAL.—A project developer shall
12 make use of the standardized tools and methods de-
13 scribed in this section to monitor, quantify, and dis-
14 count reductions in greenhouse gas emissions or in-
15 creases in sequestration.

16 (2) MONITORING AND QUANTIFICATION
17 PLAN.—A monitoring and quantification plan shall
18 be used to monitor, quantify, and discount reduc-
19 tions in greenhouse gas emissions or increases in se-
20 questration as described in this subsection.

21 (3) PLAN COMPLETION AND RETENTION.—A
22 monitoring and quantification plan shall be—

23 (A) completed for all offset projects prior
24 to offset project initiation; and

1 (B) retained by the project developer for
2 the duration of the offset project.

3 (4) PLAN REQUIREMENTS.—Subject to section
4 302, the Administrator, in conjunction with the Sec-
5 retary of Agriculture, shall specify the required com-
6 ponents of a monitoring and quantification plan, in-
7 cluding—

8 (A) a description of the offset project, in-
9 cluding project type;

10 (B) a determination of accounting periods;

11 (C) an assignment of reporting responsi-
12 bility;

13 (D) the contents and timing of public re-
14 ports, including summaries of the original data,
15 as well as the results of any analyses;

16 (E) a delineation of project boundaries,
17 based on acceptable methods and formats;

18 (F) a description of which of the moni-
19 toring and quantification tools developed under
20 subsection (f) are to be used to monitor and
21 quantify changes in greenhouse gas fluxes or
22 carbon stocks associated with a project;

23 (G) a description of which of the standard-
24 ized methods developed under subsection (g)
25 are to be used to determine additionality, esti-

1 mate the baseline carbon, and discount for leak-
2 age;

3 (H) based on the selection of tools and
4 standardized methods described in subpara-
5 graphs (F) and (G), a determination of uncer-
6 tainty in accordance with subsection (h);

7 (I) what site-specific data, if any, will be
8 used in monitoring, quantification, and the de-
9 termination of discounts;

10 (J) a description of procedures for use in
11 managing and storing data, including quality-
12 control standards and methods, such as redun-
13 dancy in case records are lost;

14 (K) subject to the requirements of this
15 subtitle, any other information identified by the
16 Administrator or the Secretary of Agriculture
17 as being necessary to meet the objectives of this
18 subtitle; and

19 (L) a description of the risk of reversals
20 for the project, including any way in which the
21 proposed project may alter the risk of reversal
22 for the project or other projects in the area.

23 (e) GREENHOUSE GAS INITIATION CERTIFI-
24 CATION.—

1 (1) IN GENERAL.—In reviewing a petition sub-
2 mitted under subsection (b), the Administrator shall
3 seek to exclude each activity that undermines the in-
4 tegrity of the offset program established under this
5 subtitle, such as the conversion or clearing of land,
6 or marked change in management regime, in antici-
7 pation of offset project initiation.

8 (2) GREENHOUSE GAS INITIATION CERTIFI-
9 CATION REQUIREMENTS.—A greenhouse gas initi-
10 ation certification developed under this subsection
11 shall include—

12 (A) the estimated greenhouse gas flux or
13 carbon stock for the offset project for each of
14 the 4 complete calendar years preceding the ef-
15 fective date of the regulations promulgated
16 under section 302; and

17 (B) the estimated greenhouse gas flux or
18 carbon stock for the offset project, averaged
19 across each of the 4 calendar years preceding
20 the effective date of the regulations promul-
21 gated under section 302.

22 (3) DETERMINATION OF SIGNIFICANT DEVI-
23 ATION.—Based on standards developed by the Ad-
24 ministrator, in conjunction with the Secretary of Ag-
25 riculture—

1 (A) each greenhouse gas initiation certifi-
2 cation submitted pursuant to this section shall
3 be reviewed; and

4 (B) a determination shall be made as to
5 whether, as a result of activities or behavior in-
6 consistent with the purposes of this title, a sig-
7 nificant deviation exists between the average
8 annual greenhouse gas flux or carbon stock and
9 the greenhouse gas flux or carbon stock for a
10 given year.

11 (4) ADJUSTMENT FOR PROJECTS WITH SIGNIFI-
12 CANT DEVIATION.—In the case of a significant devi-
13 ation, the Administrator shall adjust the number of
14 allowances awarded in order to account for the devi-
15 ation.

16 (f) DEVELOPMENT OF MONITORING AND QUAN-
17 TIFICATION TOOLS FOR OFFSET PROJECTS.—

18 (1) IN GENERAL.—Subject to section 302, the
19 Administrator, in conjunction with the Secretary of
20 Agriculture, shall develop standardized tools for use
21 in the monitoring and quantification of changes in
22 greenhouse gas fluxes or carbon stocks for each off-
23 set project type listed under section 303(b).

24 (2) TOOL DEVELOPMENT.—The tools used to
25 monitor and quantify changes in greenhouse gas

1 fluxes or carbon stocks shall, for each project type,
2 include applicable—

3 (A) statistically-sound field and remote
4 sensing sampling methods, procedures, tech-
5 niques, protocols, or programs;

6 (B) models, factors, equations, or look-up
7 tables; and

8 (C) any other process or tool considered to
9 be acceptable by the Administrator, in conjunc-
10 tion with the Secretary of Agriculture.

11 (g) DEVELOPMENT OF ACCOUNTING AND DIS-
12 COUNTING METHODS.—

13 (1) IN GENERAL.—The Administrator, in con-
14 sultation with the Secretary of Agriculture, shall—

15 (A) develop standardized methods for use
16 in accounting for additionality and uncertainty,
17 estimating the baseline, and discounting for
18 leakage for each offset project type listed under
19 section 303(b); and

20 (B) require that leakage be subtracted
21 from reductions in greenhouse gas emissions or
22 increases in sequestration attributable to a
23 project.

24 (2) ADDITIONALITY DETERMINATION AND
25 BASELINE ESTIMATION.—The standardized methods

1 used to determine additionality and establish base-
2 lines shall, for each project type, at a minimum—

3 (A) in the case of a sequestration project,
4 determine the greenhouse gas flux and carbon
5 stock on comparable land identified on the basis
6 of—

7 (i) similarity in current management
8 practices;

9 (ii) similarity of regional, State, or
10 local policies or programs; and

11 (iii) similarity in geographical and bio-
12 physical characteristics;

13 (B) in the case of an emission reduction
14 project, use as a basis emissions from com-
15 parable land or facilities; and

16 (C) in the case of a sequestration project
17 or emission reduction project, specify a selected
18 time period.

19 (3) LEAKAGE.—The standardized methods used
20 to determine and discount for leakage shall, at a
21 minimum, take into consideration—

22 (A) the scope of the offset system in terms
23 of activities and geography covered;

24 (B) the markets relevant to the offset
25 project;

1 (C) emission intensity per unit of produc-
2 tion, both inside and outside of the offset
3 project; and

4 (D) a time period sufficient in length to
5 yield a stable leakage rate.

6 (h) UNCERTAINTY FOR AGRICULTURAL AND FOR-
7 ESTRY PROJECTS.—

8 (1) IN GENERAL.—The Administrator, in con-
9 junction with the Secretary of Agriculture, shall de-
10 velop standardized methods for use in determining
11 and discounting for uncertainty for each offset
12 project type listed under section 303(b).

13 (2) BASIS.—The standardized methods used to
14 determine and discount for uncertainty shall be
15 based on—

16 (A) the robustness and rigor of the meth-
17 ods used by a project developer to monitor and
18 quantify changes in greenhouse gas fluxes or
19 carbon stocks;

20 (B) the robustness and rigor of methods
21 used by a project developer to determine
22 additionality and leakage; and

23 (C) an exaggerated proportional discount
24 that increases relative to uncertainty, as deter-
25 mined by the Administrator, in conjunction

1 with the Secretary of Agriculture, to encourage
2 better measurement and accounting.

3 (i) ACQUISITION OF NEW DATA AND REVIEW OF
4 METHODS FOR AGRICULTURAL AND FORESTRY
5 PROJECTS.—The Administrator, in conjunction with the
6 Secretary of Agriculture, shall—

7 (1) establish a comprehensive field sampling
8 program to improve the scientific bases on which the
9 standardized tools and methods developed under this
10 section are based; and

11 (2) review and revise the standardized tools and
12 methods developed under this section, based on—

13 (A) validation of existing methods, proto-
14 cols, procedures, techniques, factors, equations,
15 or models;

16 (B) development of new methods, proto-
17 cols, procedures, techniques, factors, equations,
18 or models;

19 (C) increased availability of field data or
20 other datasets; and

21 (D) any other information identified by the
22 Administrator, in conjunction with the Sec-
23 retary of Agriculture, that is necessary to meet
24 the objectives of this subtitle.

1 (j) EXCLUSION.—No activity for which any emission
2 allowances are received under subtitle C shall generate off-
3 set allowances under this subtitle.

4 **SEC. 305. OFFSET VERIFICATION AND ISSUANCE OF ALLOW-**
5 **ANCES.**

6 (a) IN GENERAL.—Offset allowances may be claimed
7 for net emission reductions or increases in sequestration
8 annually, after accounting for any necessary discounts in
9 accordance with section 304, by submitting a verification
10 report for an offset project to the Administrator.

11 (b) OFFSET VERIFICATION.—

12 (1) SCOPE OF VERIFICATION.—A verification
13 report for an offset project shall be—

14 (A) completed by a verifier accredited in
15 accordance with paragraph (3); and

16 (B) developed taking into consideration—

17 (i) the information and methodology
18 contained within a monitoring and quan-
19 tification plan;

20 (ii) data and subsequent analysis of
21 the offset project, including—

22 (I) quantification of net emission
23 reductions or increases in sequestra-
24 tion;

- 1 (II) determination of
2 additionality;
3 (III) calculation of leakage;
4 (IV) assessment of permanence;
5 (V) discounting for uncertainty;
6 and
7 (VI) the adjustment of net emis-
8 sion reductions or increases in seques-
9 tration by the discounts determined
10 under subclauses (II) through (V);
11 and
12 (iii) subject to the requirements of
13 this subtitle, any other information identi-
14 fied by the Administrator as being nec-
15 essary to achieve the purposes of this sub-
16 title.

17 (2) VERIFICATION REPORT REQUIREMENTS.—

18 The Administrator shall specify the required compo-
19 nents of a verification report, including—

- 20 (A) the quantity of offsets generated;
21 (B) the amount of discounts applied;
22 (C) an assessment of methods (and the ap-
23 propriateness of those methods);

1 (D) an assessment of quantitative errors or
2 omissions (and the effect of the errors or omis-
3 sions on offsets);

4 (E) any potential conflicts of interest be-
5 tween a verifier and project developer; and

6 (F) any other provision that the Adminis-
7 trator considers to be necessary to achieve the
8 purposes of this subtitle.

9 (3) VERIFIER ACCREDITATION.—

10 (A) IN GENERAL.—The regulations pro-
11 mulgated pursuant to section 302 shall estab-
12 lish a process and requirements for accredita-
13 tion by a third-party verifier that has no con-
14 flicts of interest.

15 (B) PUBLIC ACCESSIBILITY.—Each verifier
16 meeting the requirements for accreditation in
17 accordance with this paragraph shall be listed
18 in a publicly-accessible database, which shall be
19 maintained and updated by the Administrator.

20 (c) REGISTRATION AND AWARDING OF OFFSETS.—

21 (1) IN GENERAL.—Not later than 90 days after
22 the date on which the Administrator receives a
23 verification report required under subsection (b), the
24 Administrator shall—

1 (A) determine whether the offsets satisfy
2 the applicable requirements of this subtitle; and

3 (B) notify the project developer of that de-
4 termination.

5 (2) AFFIRMATIVE DETERMINATION.—In the
6 case of an affirmative determination under para-
7 graph (1), the Administrator shall—

8 (A) register the offset allowances in ac-
9 cordance with this subtitle; and

10 (B) issue the offset allowances.

11 (3) APPEAL AND REVIEW.—The Administrator
12 shall establish mechanisms for the appeal and review
13 of determinations made under this subsection.

14 **SEC. 306. TRACKING OF REVERSALS FOR SEQUESTRATION**
15 **PROJECTS.**

16 (a) REVERSAL CERTIFICATION.—

17 (1) IN GENERAL.—The regulations promulgated
18 pursuant to section 302 shall require the submission
19 of a reversal certification for each offset project on
20 an annual basis following the registration of offset
21 allowances.

22 (2) REQUIREMENTS.—A reversal certification
23 submitted in accordance with this subsection shall
24 state—

1 (A) whether any unmitigated reversal re-
2 lating to the offset project has occurred in the
3 year preceding the year in which the certifi-
4 cation is submitted; and

5 (B) the quantity of each unmitigated re-
6 versal.

7 (b) EFFECT ON OFFSET ALLOWANCES.—

8 (1) INVALIDITY.—The Administrator shall de-
9 clare invalid all offset allowances issued for any off-
10 set project that has undergone a complete reversal.

11 (2) PARTIAL REVERSAL.—In the case of an off-
12 set project that has undergone a partial reversal, the
13 Administrator shall render invalid offset allowances
14 issued for the offset project in direct proportion to
15 the degree of reversal.

16 (c) ACCOUNTABILITY FOR REVERSALS.—Liability
17 and responsibility for compensation of a reversal of a reg-
18 istered offset allowance under subsection (a) shall lie with
19 the owner of the offset allowance, as described in section
20 302.

21 (d) COMPENSATION FOR REVERSALS.—The unmiti-
22 gated reversal of 1 or more registered offset allowances
23 that were submitted for the purpose of compliance with
24 section 202(a) shall require the submission of—

25 (1) an equal number of offset allowances; or

1 (2) a combination of offset allowances and
2 emission allowances equal to the unmitigated rever-
3 sal.

4 (e) **PROJECT TERMINATION.**—A project developer
5 may cease participation in the domestic offset program es-
6 tablished under this subtitle at any time, on the condition
7 that any registered allowances awarded for increases in
8 sequestration have been compensated for by the project
9 developer through the submission of an equal number of
10 any combination of offset allowances and emission allow-
11 ances.

12 **SEC. 307. EXAMINATIONS.**

13 (a) **REGULATIONS.**—The regulations promulgated
14 pursuant to section 302 shall govern the examination and
15 auditing of offset allowances.

16 (b) **REQUIREMENTS.**—The governing regulations de-
17 scribed in subsection (a) shall specifically consider—

18 (1) principles for initiating and conducting ex-
19 aminations;

20 (2) the type or scope of examinations, includ-
21 ing—

22 (A) reporting and recordkeeping; and

23 (B) site review or visitation;

24 (3) the rights and privileges of an examined
25 party; and

1 (4) the establishment of an appeal process.

2 **SEC. 308. TIMING AND THE PROVISION OF OFFSET ALLOW-**
3 **ANCES.**

4 (a) INITIATION OF OFFSET PROJECTS.—An offset
5 project that commences operation on or after the effective
6 date of the governing regulations described in section
7 307(a) shall be eligible to generate offset allowances under
8 this subtitle if the offset project meets the other applicable
9 requirements of this subtitle.

10 (b) PRE-EXISTING PROJECTS.—

11 (1) IN GENERAL.—The Administrator shall
12 allow for the transition into the Registry of offset
13 projects and banked offset allowances that, as of the
14 effective date of regulations promulgated under sec-
15 tion 307(a), are registered under or meet the stand-
16 ards of the Climate Registry, the California Action
17 Registry, the GHG Registry, the Chicago Climate
18 Exchange, the GHG Clean Projects Registry, or any
19 other Federal, State, or private reporting programs
20 or registries, if the Administrator determines that
21 such other offset projects and banked offset allow-
22 ances under those other programs or registries sat-
23 isfy the applicable requirements of this subtitle.

24 (2) EXCEPTION.—An offset allowance that is
25 expired, retired, or canceled under any other offset

1 program, registry, or market as of the effective date
2 of the governing regulations described in section
3 307(a) shall be ineligible for transition into the Reg-
4 istry.

5 **SEC. 309. OFFSET REGISTRY.**

6 In addition to the requirements established by section
7 304, an offset allowance registered under this subtitle
8 shall be accompanied in the Registry by—

9 (1) a verification report submitted pursuant to
10 section 305(a);

11 (2) a reversal certification submitted pursuant
12 to section 306(a); and

13 (3) subject to the requirements of this subtitle,
14 any other information identified by the Adminis-
15 trator as being necessary to achieve the purposes of
16 this subtitle.

17 **SEC. 310. ENVIRONMENTAL CONSIDERATIONS.**

18 (1) COORDINATION TO MINIMIZE NEGATIVE EF-
19 FECTS.—In promulgating regulations under this
20 subtitle, the Administrator, in conjunction with the
21 Secretary of Agriculture, shall act (including by re-
22 jecting projects, if necessary) to avoid or minimize,
23 to the maximum extent practicable, adverse effects
24 on human health or the environment resulting from

1 the implementation of offset projects under this sub-
2 title.

3 (2) REPORT ON POSITIVE EFFECTS.—Not later
4 than 2 years after the date of enactment of this Act,
5 the Administrator, in conjunction with the Secretary
6 of Agriculture, shall submit to Congress a report de-
7 tailing—

8 (A) the incentives, programs, or policies
9 capable of fostering improvements to human
10 health or the environment in conjunction with
11 the implementation of offset projects under this
12 subtitle; and

13 (B) the cost and benefits of those incen-
14 tives, programs, or policies.

15 (3) COORDINATION TO ENHANCE ENVIRON-
16 MENTAL BENEFITS.—In promulgating regulations
17 under this subtitle, the Administrator, in conjunc-
18 tion with the Secretary of Agriculture and the Sec-
19 retary of Interior, shall—

20 (A) act to enhance and increase the adapt-
21 ive capability of natural systems and resilience
22 of those systems to climate change, including
23 through the support of biodiversity, native spe-
24 cies, and land management practices that foster
25 natural ecosystem conditions; and

1 (B) coordinate actions taken under this
2 paragraph, to the maximum extent practicable,
3 with existing programs that have overlapping
4 outcomes to maximize environmental benefits.

5 (4) USE OF NATIVE PLANT SPECIES IN COMPLI-
6 ANCE OFFSET PROJECTS.—Not later than 18
7 months after the date of enactment of this Act, the
8 Administrator, in conjunction with the Secretary of
9 Agriculture, shall promulgate regulations for the se-
10 lection, use, and storage of native and nonnative
11 plant materials—

12 (A) to ensure native plant materials are
13 given primary consideration, in accordance with
14 applicable Department of Agriculture guidance
15 for use of native plant materials;

16 (B) to prohibit the use of Federal- or
17 State-designated noxious weeds; and

18 (C) to prohibit the use of a species listed
19 by a regional or State invasive plant council
20 within the applicable region or State.

21 **SEC. 311. PROGRAM REVIEW.**

22 Not later than 5 years after the date of enactment
23 of this Act, and periodically thereafter, the Administrator,
24 in conjunction with the Secretary of Agriculture, shall re-

1 view and revise, as necessary to achieve the purposes of
2 this Act, the regulations promulgated under this subtitle.

3 **Subtitle B—Offsets and Emission**
4 **Allowances From Other Countries**

5 **SEC. 321. OFFSET ALLOWANCES ORIGINATING FROM**
6 **PROJECTS IN OTHER COUNTRIES.**

7 (a) REGULATIONS.—Not later than 2 years after the
8 date of enactment of this Act, the Administrator shall pro-
9 mulgate regulations establishing a system under which the
10 Administrator shall register and issue offset allowances for
11 projects that reduce greenhouse gas emissions or increase
12 sequestration of carbon dioxide in countries other than the
13 United States.

14 (b) USE.—

15 (1) IN GENERAL.—Subject to paragraph (3),
16 the quantity of offset allowances issued pursuant to
17 this section in a calendar year shall not exceed 5
18 percent of the quantity of emission allowances estab-
19 lished for that year pursuant to section 201(a).

20 (2) USE OF INTERNATIONAL ALLOWANCES.—

21 (A) IN GENERAL.—If the quantity of offset
22 allowances issued in a calendar year pursuant
23 to this section is less than 5 percent of the
24 quantity of emission allowances established for
25 that year pursuant to section 201(a), the Ad-

1 administrator shall allow the use, by covered enti-
2 ties in that year, of international allowances
3 under section 322.

4 (B) MAXIMUM QUANTITY.—The maximum
5 aggregate quantity of international allowances
6 the use of which use the Administrator shall
7 allow under subparagraph (A) shall be equal to
8 the difference between—

9 (i) 5 percent of the quantity of emis-
10 sion allowances established for that year
11 pursuant to section 201(a); and

12 (ii) the quantity of domestic offset al-
13 lowances issued in that year pursuant to
14 this section.

15 (3) CARRY-OVER.—

16 (A) IN GENERAL.—If the sum of the quan-
17 tity of offset allowances issued in a calendar
18 pursuant to this section and the quantity of
19 international allowances used in that calendar
20 year pursuant to paragraph (2) is less than 5
21 percent of the quantity of emission allowances
22 established for that year pursuant to section
23 201(a), notwithstanding paragraph (1), the
24 quantity of offset allowances issued pursuant to

1 this section in the subsequent calendar year
2 shall not exceed the sum of—

3 (i) 5 percent of the quantity of emis-
4 sion allowances established for that subse-
5 quent calendar year pursuant to section
6 201(a); and

7 (ii) the difference between—

8 (I) 5 percent of the quantity of
9 emission allowances established for
10 that year pursuant to section 201(a);
11 and

12 (II) the sum of the quantity of
13 offset allowances issued in the pre-
14 ceding calendar year pursuant to this
15 section and the quantity of inter-
16 national allowances used in that year
17 pursuant to paragraph (2).

18 (c) REQUIREMENTS.—The regulations promulgated
19 pursuant to subsection (a) shall—

20 (1) take into consideration protocols adopted in
21 accordance with the United Nations Framework
22 Convention on Climate Change, done at New York
23 on May 9, 1992; and

24 (2) require that, in order to be approved for use
25 under this subtitle—

1 (A) a project shall be determined by the
2 Administrator to meet the requirements under
3 the regulations established pursuant to subtitle
4 A; and

5 (B) the emission allowance shall not be
6 provided for a project at facility that competes
7 directly with a United States facility.

8 (d) ENTITY CERTIFICATION.—The owner or operator
9 of a covered entity that submits an offset allowance issued
10 pursuant to this section shall certify that the allowance
11 has not been retired from use in the registry of the appli-
12 cable foreign country.

13 **SEC. 322. EMISSION ALLOWANCES FROM OTHER COUN-**
14 **TRIES.**

15 (a) REGULATIONS.—Not later than 2 years after the
16 date of enactment of this Act, the Administrator shall pro-
17 mulgate regulations, taking into consideration protocols
18 adopted in accordance with the United Nations Frame-
19 work Convention on Climate Change, done at New York
20 on May 9, 1992, approving the use in the United States
21 of emission allowances issued by countries other than the
22 United States.

23 (b) REQUIREMENTS.—The regulations promulgated
24 pursuant to subsection (a) shall require that, in order to
25 be approved for use in the United States—

1 (1) an emission allowance shall have been
2 issued by a foreign country pursuant to a govern-
3 mental program that imposes mandatory absolute
4 tonnage limits on greenhouse gas emissions from the
5 foreign country, or 1 or more industry sectors in
6 that country, pursuant to protocols described in sub-
7 section (a); and

8 (2) the governmental program be of comparable
9 stringency to the program established by this Act,
10 including comparable monitoring, compliance, and
11 enforcement.

12 (c) FACILITY CERTIFICATION.—The owner or oper-
13 ator of a covered entity that submits an international al-
14 lowance under this subtitle shall certify that the allowance
15 has not been retired from use in the registry of the appli-
16 cable foreign country.

17 **Subtitle C—Agriculture and For-**
18 **estry Program in the United**
19 **States**

20 **SEC. 331. ALLOCATION.**

21 (a) FIRST PERIOD.—Not later than 330 days before
22 the beginning of each of calendar years 2012 through
23 2030, the Administrator shall allocate to the Secretary of
24 Agriculture, for the program established pursuant to sec-

1 tion 332, 4.25 percent of the emission allowances estab-
2 lished pursuant to section 201(a) for that calendar year.

3 (b) SECOND PERIOD.—Not later than 330 days be-
4 fore the beginning of each of calendar years 2031 through
5 2050, the Administrator shall allocate to the Secretary of
6 Agriculture, for the program established pursuant to sec-
7 tion 332, 4.5 percent of the emission allowances estab-
8 lished pursuant to section 201(a) for that calendar year.

9 **SEC. 332. AGRICULTURE AND FORESTRY PROGRAM.**

10 (a) IN GENERAL.—Not later than 2 years after the
11 date of enactment of this Act, the Secretary of Agriculture
12 shall promulgate regulations establishing a program for
13 distributing emission allowances allocated pursuant to sec-
14 tion 331 to entities in the agricultural and forestry sectors
15 of the United States, including entities engaged in organic
16 farming, as a reward for—

17 (1) achieving real, verifiable, additional, perma-
18 nent, and enforceable reductions in greenhouse gas
19 emissions from the operations of the entities;

20 (2) achieving real, verifiable, additional, perma-
21 nent, and enforceable increases in greenhouse gas
22 sequestration on land owned or managed by the enti-
23 ties; and

1 (3) conducting pilot projects or other research
2 regarding innovative practices for use in meas-
3 uring—

4 (A) greenhouse gas emission reductions;

5 (B) sequestration; or

6 (C) other benefits and associated costs of
7 the pilot projects.

8 (b) NITROUS OXIDE AND METHANE.—The Secretary
9 of Agriculture shall ensure that, during any 5-year period,
10 the average annual percentage of the quantity of emission
11 allowances established for a calendar year that is distrib-
12 uted to entities under the program established under sub-
13 section (a) specifically for achieving real, verifiable, addi-
14 tional, permanent, and enforceable reductions in nitrous
15 oxide emissions through soil management or achieving
16 real, verifiable, additional, permanent, and enforceable re-
17 ductions in methane emissions through enteric fermenta-
18 tion and manure management shall be 0.5 percent.

19 (c) NEW METHODOLOGY INCUBATOR.—

20 (1) IN GENERAL.—The Secretary of Agriculture
21 shall ensure that, during any 5-year period, the av-
22 erage annual percentage of the quantity of emission
23 allowances established for a calendar year that is
24 distributed to entities under the program established
25 under paragraph (2) specifically for creating meth-

1 odologies, tools, and support for the development
2 and deployment of new project types shall be at least
3 0.25 percent.

4 (2) SUPPORT FOR INNOVATION.—

5 (A) ACQUISITION OF NEW DATA, IMPROVE-
6 MENT OF METHODOLOGIES, AND DEVELOPMENT
7 OF NEW TOOLS FOR DESIGNATED OFFSET AC-
8 TIVITY CATEGORIES.—The Administrator, in
9 conjunction with the Secretary of Agriculture,
10 shall establish a comprehensive field sampling
11 and pilot project program to improve the sci-
12 entific data and calibration of standardized
13 tools and methodologies that—

14 (i) are used to measure greenhouse
15 gas reductions or sequestration and base-
16 lines for categories of activities not covered
17 by an emission limitation under this Act;
18 and

19 (ii) are likely to provide significant
20 emission reductions or sequestration.

21 (B) TARGETED SUPPORT FOR DEVELOP-
22 MENT AND DEPLOYMENT OF NEW TECH-
23 NOLOGIES.—

24 (i) IN GENERAL.—The Administrator
25 shall establish a program for development

1 and deployment of new technologies and
2 methods in greenhouse gas reductions or
3 sequestration for activities not covered by
4 an emission limitation under this Act.

5 (ii) SELECTION; FUNDING.—In car-
6 rying out the program under clause (i), the
7 Administrator shall—

8 (I) select activities for partici-
9 tion in the program based on—

10 (aa) the potential emission
11 reductions or sequestration of the
12 activities; and

13 (bb) a market penetration
14 review; and

15 (II) provide funding for a select
16 number of projects—

17 (aa) to cover research on
18 technological and other barriers,
19 prototypes, first-of-the-kind risk
20 coverage, and initial market bar-
21 riers; and

22 (bb) under limited categories
23 of activities that are dependent
24 on forward progress.

1 (d) REQUIREMENT.—The Secretary of Agriculture
2 shall distribute emission allowances under this section in
3 a manner that—

4 (1) maximizes the avoidance or reduction of
5 greenhouse gas emissions; and

6 (2) ensures that entities participating in the
7 program under this section do not receive more com-
8 pensation for emission reductions under this pro-
9 gram than the entities would receive for the same
10 reductions through an offset project under subtitle
11 A.

12 (e) PROHIBITION.—Emission reductions or seques-
13 tration increases generating offset allowances pursuant to
14 subtitle A shall not be used the basis for a distribution
15 of emission allowances under this section.

16 **SEC. 333. AGRICULTURAL AND FORESTRY GREENHOUSE**
17 **GAS MANAGEMENT RESEARCH.**

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

1 (1) research on soil carbon sequestration and
2 other agricultural and forestry greenhouse gas man-
3 agement that has been carried out;

4 (2) any additional research that is necessary,
5 including research into innovative practices to at-
6 tempt to measure—

7 (A) greenhouse gas emission reductions;

8 (B) sequestration; or

9 (C) other benefits or associated costs;

10 (3) the proposed priority for additional re-
11 search;

12 (4) the most appropriate approaches for con-
13 ducting the additional research; and

14 (5) the extent to which and the manner in
15 which allowances that are specific to agricultural
16 and forestry operations, including harvested wood
17 products and the reduction of hazardous fuels to re-
18 duce the risk of uncharacteristically severe wildfires,
19 should be valued and allotted.

20 (b) RESEARCH.—After the date of submission of the
21 report described in subsection (a), the President and the
22 Secretary of Agriculture (in collaboration with the Admin-
23 istrator and the member institutions of higher education
24 of the Consortium for Agricultural Soil Mitigation of
25 Greenhouse Gases, institutions of higher education, and

1 research entities) shall initiate a program to conduct any
2 additional research that is necessary.

3 **TITLE IV—ESTABLISHING A**
4 **GREENHOUSE GAS EMISSION**
5 **ALLOWANCE TRADING MAR-**
6 **KET**

7 **Subtitle A—Trading**

8 **SEC. 401. SALE, EXCHANGE, AND RETIREMENT OF ALLOW-**
9 **ANCES.**

10 Except as otherwise provided in this Act, and subject
11 to the regulations promulgated pursuant to subtitle B, the
12 lawful holder of an allowance may, without restriction—

13 (1) sell, exchange, or transfer the allowance; or

14 (2) submit the allowance for compliance in ac-
15 cordance with section 202.

16 **SEC. 402. NO RESTRICTION ON TRANSACTIONS.**

17 The privilege of purchasing, holding, selling, exchang-
18 ing, and retiring allowances shall not be restricted to the
19 owners and operators of covered entities.

20 **SEC. 403. ALLOWANCE TRANSFER AND TRACKING SYSTEM.**

21 (a) **IN GENERAL.**—Not later than 2 years after the
22 date of enactment of this Act, the Administrator shall pro-
23 mulgate regulations establishing a system for issuing, re-
24 cording, transferring, and tracking allowances.

1 (b) REQUIREMENTS.—The regulations promulgated
2 pursuant to subsection (a) shall—

3 (1) specify all necessary procedures and re-
4 quirements for an orderly and competitive func-
5 tioning of the allowance trading system; and

6 (2) provide that the transfer of allowances shall
7 not be effective until such date as a written certifi-
8 cation of the transfer, signed by a responsible offi-
9 cial of each party to the transfer, is received and re-
10 corded by the Administrator in accordance with the
11 regulations promulgated pursuant to subsection (a).

12 **Subtitle B—Market Oversight and** 13 **Enforcement**

14 **SEC. 411. FINDING.**

15 Congress finds that it is necessary to establish an
16 interagency working group to enhance the integrity, effi-
17 ciency, orderliness, fairness, and competitiveness of the de-
18 velopment by the United States of a new financial market
19 for emission allowances, including by ensuring that—

20 (1) the market—

21 (A) is designed to prevent fraud and ma-
22 nipulation, which could potentially arise from
23 many sources, including—

1 (i) the concentration of market power
2 within the control of a limited number of
3 individuals or entities; and

4 (ii) the abuse of material, nonpublic
5 information; and

6 (B)(i) is appropriately transparent, with
7 real-time reporting of quotes and trades;

8 (ii) makes information on price, volume,
9 and supply, and other important statistical in-
10 formation, available to the public on fair, rea-
11 sonable, and nondiscriminatory terms;

12 (iii) is subject to appropriate recordkeeping
13 and reporting requirements regarding trans-
14 actions; and

15 (iv) has the confidence of investors;

16 (2) the market—

17 (A) functions smoothly and efficiently, gen-
18 erating prices that accurately reflect supply and
19 demand for emission allowances; and

20 (B) promotes just and equitable principles
21 of trade;

22 (3) the need of market participants and regu-
23 lators for transparency is balanced against legiti-
24 mate business concerns regarding the release of con-
25 fidential, proprietary information;

1 (4) the market is subject to effective and com-
2 prehensive oversight and integrates strong enforce-
3 ment mechanisms, including mechanisms for co-
4 operation with other national and international over-
5 sight regimes;

6 (5) an appropriate interagency forum exists—

7 (A) for ongoing assessment of emerging
8 regulatory matters and information-sharing;
9 and

10 (B) to ensure regulatory coordination of
11 the market;

12 (6) the market establishes an equitable system
13 for best execution of customer orders; and

14 (7) the market protects investors and the public
15 interest.

16 **SEC. 412. CARBON MARKET OVERSIGHT AND REGULATION.**

17 (a) DELEGATION OF AUTHORITY BY PRESIDENT.—

18 The President, taking into consideration the recommenda-
19 tions of the Working Group established by subsection (b),
20 shall delegate to members of the Working Group and the
21 heads of other appropriate Federal entities the authority
22 to promulgate regulations to enhance the integrity, effi-
23 ciency, orderliness, fairness, and competitiveness of the de-
24 velopment by the United States of a new financial market

1 for emission allowances, based on the following core prin-
2 ciples:

3 (1) The market shall—

4 (A) be designed to prevent fraud and ma-
5 nipulation relating to the trading of emission al-
6 lowances and related markets, which could po-
7 tentially arise from many sources, including—

8 (i) the concentration of market power
9 within the control of a limited number of
10 individuals or entities; and

11 (ii) the abuse of material, nonpublic
12 information;

13 (B)(i) be appropriately transparent, with
14 real-time reporting of quotes and trades; and

15 (ii) make information on price, volume,
16 and supply, and other important statistical in-
17 formation available to the public on fair, rea-
18 sonable, and nondiscriminatory terms;

19 (C) be subject to appropriate record-
20 keeping and reporting requirements regarding
21 transactions; and

22 (D) have the confidence of investors.

23 (2) The market shall—

1 (A) function smoothly and efficiently, gen-
2 erating prices that accurately reflect supply and
3 demand for emission allowances;

4 (B) be designed to prevent excessive specu-
5 lation that could cause sudden or unreasonable
6 fluctuations or unwarranted changes in the
7 price of emission allowances; and

8 (C) promote just and equitable principles
9 of trade.

10 (3) The need of market participants and regu-
11 lators for transparency shall be balanced against le-
12 gitimate business concerns concerning the release of
13 confidential, proprietary information.

14 (4) The market shall be subject to effective and
15 comprehensive oversight, which integrates strong en-
16 forcement mechanisms, including mechanisms for co-
17 operation with other national and international over-
18 sight regimes.

19 (5) There shall be an appropriate interagency
20 forum—

21 (A) for ongoing assessment of emerging
22 regulatory matters and information sharing;
23 and

24 (B) to ensure regulatory coordination of
25 the market.

1 (6) The market shall establish an equitable sys-
2 tem for best execution of customer orders.

3 (7) The market shall protect investors and the
4 public interest.

5 (b) ESTABLISHMENT.—There is established an inter-
6 agency working group, to be known as the “Carbon Mar-
7 kets Working Group” (referred to in this section as the
8 “Working Group”).

9 (c) MEMBERSHIP.—The Working Group shall be
10 composed of the following members (or their designees):

11 (1) The Administrator, who shall serve as
12 Chairperson of the Working Group.

13 (2) The Secretary of the Treasury.

14 (3) The Chairman of the Securities and Ex-
15 change Commission.

16 (4) The Chairman of the Commodity Futures
17 Trading Commission.

18 (5) The Chairman of the Federal Energy Regu-
19 latory Commission.

20 (6) Such other Executive branch officials as
21 may be appointed by the President.

22 (d) DUTIES.—

23 (1) IDENTIFICATION OF ISSUES AND APPRO-
24 PRIATE ACTIVITIES.—

1 (A) IN GENERAL.—The Working Group
2 shall identify—

3 (i) the major issues relating to the in-
4 tegrity, efficiency, orderliness, fairness,
5 and competitiveness of the development by
6 the United States of a new financial mar-
7 ket for emission allowances under the cap-
8 and-trade system for emission allowances
9 established under this Act;

10 (ii) any relevant recommendations
11 provided to the Working Group by Federal,
12 State, or local governments, organizations,
13 individuals, and entities; and

14 (iii) the activities, such as market reg-
15 ulation, policy coordination, and contin-
16 gency planning, that are appropriate to
17 carry out those recommendations.

18 (B) CONSULTATION.—In identifying ap-
19 propriate activities under subparagraph (A)(iii),
20 the Working Group shall consult with rep-
21 resentatives of, as appropriate—

22 (i) various information exchanges and
23 clearinghouses;

1 (ii) self-regulatory entities, securities
2 exchanges, transfer agents, and clearing
3 entities;

4 (iii) participants in the emission al-
5 lowance trading market; and

6 (iv) other Federal entities, including—

7 (I) the Federal Reserve; and

8 (II) the Federal Trade Commis-
9 sion.

10 (2) STUDY.—The Working Group shall conduct
11 a study of the major issues relating to the regulation
12 of the emission allowance trading market and other
13 carbon markets.

14 (3) REPORT.—Not later than 270 days after
15 the date of enactment of this Act, and annually
16 thereafter, the Working Group shall submit to the
17 President and Congress a report describing—

18 (A) the progress made by the Working
19 Group;

20 (B) recommendations of the Working
21 Group regarding any regulations proposed pur-
22 suant to subsection (a);

23 (C) recommendations for additional legisla-
24 tive action, if necessary; and

1 (D) a timetable for the implementation of
2 the new regulations to ensure that the regula-
3 tions take effect before the effective date of reg-
4 ulations governing the emission allowance trad-
5 ing system.

6 (4) MEMORANDA OF UNDERSTANDING.—Not
7 later than 270 days after the date of enactment of
8 this Act, the Administrator shall enter into a memo-
9 randum of understanding with the head of each ap-
10 propriate Federal entity (including each appropriate
11 Federal entity represented by a member of the
12 Working Group, as applicable) relating to regulatory
13 and enforcement coordination, information sharing,
14 and other related matters to minimize duplicative or
15 conflicting regulatory efforts.

16 (5) REGULATIONS.—Not later than 270 days
17 after the date of enactment of this Act, the heads
18 of other appropriate Federal entities to which the
19 President has delegated regulatory authority under
20 subsection (a) shall promulgate regulations in ac-
21 cordance with subsection (a).

22 (e) AUTHORITIES.—In promulgating and imple-
23 menting regulations pursuant to this section, the promul-
24 gating Federal agencies shall have authorities equivalent
25 to the authorities of those agencies under existing law.

1 (f) ENFORCEMENT.—Regulations promulgated under
2 this section shall—

3 (1) be fully enforceable and subject to such
4 fines and penalties as are provided under the laws
5 (including regulations) administered by the Federal
6 agency that promulgated the regulations under this
7 section; and

8 (2) for the purpose of enforcement, in accord-
9 ance with section 1722, be considered to have been
10 promulgated pursuant to this Act.

11 (g) ADMINISTRATION.—

12 (1) INFORMATION FROM FEDERAL AGENCIES.—

13 (A) IN GENERAL.—The Working Group
14 may secure directly from any Federal agency
15 such information as the Working Group con-
16 siders necessary to carry out this section.

17 (B) PROVISION OF INFORMATION.—On re-
18 quest of the Chairperson of the Working Group,
19 the head of the agency shall provide the infor-
20 mation to the Working Group.

21 (2) COMPENSATION OF MEMBERS.—A member
22 of the Working Group who is an officer or employee
23 of the Federal Government shall serve without com-
24 pensation in addition to the compensation received

1 for the services of the member as an officer or em-
2 ployee of the Federal Government.

3 (3) ADMINISTRATOR SUPPORT.—To the extent
4 permitted by law and subject to the availability of
5 appropriations, the Administrator shall provide to
6 the Working Group such administrative and support
7 services as are necessary to assist the Working
8 Group in carrying out the duties described in sub-
9 section (d).

10 (h) EFFECT OF SECTION.—Nothing in this section
11 limits or restricts any regulatory or enforcement authority
12 of a Federal entity as in effect on the date of enactment
13 of this Act.

14 (i) AUTHORIZATION OF APPROPRIATIONS.—There
15 are authorized to be appropriated such sums as are nec-
16 essary to carry out this section.

17 **Subtitle C—Carbon Market**
18 **Efficiency Board**

19 **SEC. 421. ESTABLISHMENT.**

20 There is established a board, to be known as the
21 “Carbon Market Efficiency Board”.

22 **SEC. 422. COMPOSITION AND ADMINISTRATION.**

23 (a) MEMBERSHIP.—

24 (1) COMPOSITION.—The Board shall be com-
25 posed of—

1 (A) 7 members who are citizens of the
2 United States, to be appointed by the Presi-
3 dent, by and with the advice and consent of the
4 Senate; and

5 (B) an advisor who is a scientist with ex-
6 pertise in climate change and the effects of cli-
7 mate change on the environment, to be ap-
8 pointed by the President, by and with the ad-
9 vice and consent of the Senate.

10 (2) REQUIREMENTS.—In appointing members
11 of the Board under paragraph (1), the President
12 shall—

13 (A) ensure fair representation of the finan-
14 cial, agricultural, industrial, and commercial
15 sectors, and the geographical regions, of the
16 United States, and include a representative of
17 consumer interests;

18 (B) appoint not more than 1 member from
19 each such geographical region; and

20 (C) ensure that not more than 4 members
21 of the Board serving at any time are affiliated
22 with the same political party.

23 (3) COMPENSATION.—

24 (A) IN GENERAL.—A member of the Board
25 shall be compensated at a rate equal to the

1 daily equivalent of the annual rate of basic pay
2 prescribed for level II of the Executive Schedule
3 under section 5313 of title 5, United States
4 Code, for each day (including travel time) dur-
5 ing which the member is engaged in the per-
6 formance of the duties of the Board.

7 (B) CHAIRPERSON.—The Chairperson of
8 the Board shall be compensated at a rate equal
9 to the daily equivalent of the annual rate of
10 basic pay prescribed for level I of the Executive
11 Schedule under section 5312 of title 5, United
12 States Code, for each day (including travel
13 time) during which the member is engaged in
14 the performance of the duties of the Board.

15 (4) PROHIBITIONS.—

16 (A) CONFLICTS OF INTEREST.—An indi-
17 vidual employed by, or holding any official rela-
18 tionship (including any shareholder) with, any
19 entity engaged in the generation, transmission,
20 distribution, or sale of energy, an individual
21 who has any pecuniary interest in the genera-
22 tion, transmission, distribution, or sale of en-
23 ergy, or an individual who has a pecuniary in-
24 terest in the implementation of this Act, shall

1 not be appointed to the Board under this sub-
2 section.

3 (B) NO OTHER EMPLOYMENT.—A member
4 of the Board shall not hold any other employ-
5 ment during the term of service of the member.

6 (b) TERM; VACANCIES.—

7 (1) TERM.—

8 (A) IN GENERAL.—The term of a member
9 of the Board shall be 14 years, except that the
10 members first appointed to the Board shall be
11 appointed for terms in a manner that ensures
12 that—

13 (i) the term of not more than 1 mem-
14 ber shall expire during any 2-year period;
15 and

16 (ii) no member serves a term of more
17 than 14 years.

18 (B) OATH OF OFFICE.—A member shall
19 take the oath of office of the Board by not later
20 than 15 days after the date on which the mem-
21 ber is appointed under subsection (a)(1).

22 (C) REMOVAL.—

23 (i) IN GENERAL.—A member may be
24 removed from the Board on determination
25 of the President for cause.

1 (ii) NOTIFICATION.—Not later than
2 30 days before removing a member from
3 the Board for cause under clause (i), the
4 President shall provide to Congress an ad-
5 vance notification of the determination by
6 the President to remove the member.

7 (2) VACANCIES.—

8 (A) IN GENERAL.—A vacancy on the
9 Board—

10 (i) shall not affect the powers of the
11 Board; and

12 (ii) shall be filled in the same manner
13 as the original appointment was made.

14 (B) SERVICE UNTIL NEW APPOINTMENT.—

15 A member of the Board the term of whom has
16 expired or otherwise been terminated shall con-
17 tinue to serve until the date on which a replace-
18 ment is appointed under subparagraph (A)(ii),
19 if the President determines that service to be
20 appropriate.

21 (c) CHAIRPERSON AND VICE CHAIRPERSON.—Of
22 members of the Board, the President shall appoint—

23 (1) 1 member to serve as Chairperson of the
24 Board for a term of 4 years; and

1 (2) 1 member to serve as Vice-Chairperson of
2 the Board for a term of 4 years.

3 (d) MEETINGS.—

4 (1) INITIAL MEETING.—The Board shall hold
5 the initial meeting of the Board as soon as prac-
6 ticable after the date on which all members have
7 been appointed to the Board under subsection
8 (a)(1).

9 (2) PRESIDING OFFICER.—A meeting of the
10 Board shall be presided over by—

11 (A) the Chairperson;

12 (B) in any case in which the Chairperson
13 is absent, the Vice-Chairperson; or

14 (C) in any case in which the Chairperson
15 and Vice-Chairperson are absent, a chairperson
16 pro tempore, to be elected by the members of
17 the Board.

18 (3) QUORUM.—Four members of the Board
19 shall constitute a quorum for a meeting of the
20 Board.

21 (4) OPEN MEETINGS.—The Board shall be sub-
22 ject to section 552b of title 5, United States Code
23 (commonly known as the “Government in the Sun-
24 shine Act”).

1 (e) RECORDS.—The Board shall be subject to section
2 552 of title 5, United States Code (commonly known as
3 the “Freedom of Information Act”).

4 (f) REVIEW BY GOVERNMENT ACCOUNTABILITY OF-
5 FICE.—Not later than January 1, 2013, and annually
6 thereafter, the Comptroller General of the United States
7 shall conduct a review of the efficacy of the Board in ful-
8 filling the purposes and duties of the Board under this
9 subtitle.

10 **SEC. 423. DUTIES.**

11 The Board shall—

12 (1) gather such information as the Board deter-
13 mines to be appropriate regarding the status of the
14 allowance market established pursuant to this Act,
15 including information relating to—

16 (A) allowance allocation and availability;

17 (B) the price of allowances;

18 (C) macro- and micro-economic effects of
19 unexpected significant increases and decreases
20 in allowance prices, or shifts in the allowance
21 market, should those increases, decreases, or
22 shifts occur;

23 (D) the success of the market in promoting
24 achievement of the purposes of this Act;

1 (E) economic effect thresholds that could
2 warrant implementation of 1 or more cost relief
3 measures described in section 521(a);

4 (F) in the event any cost relief measure
5 described in section 521(a) is implemented, the
6 effects of the measure on the market; and

7 (G) the minimum levels of cost relief meas-
8 ures that are necessary to achieve avoidance of
9 economic harm and ensure achievement of the
10 purposes of this Act;

11 (2) employ cost relief measures in accordance
12 with section 521; and

13 (3) submit to the President and the Congress,
14 and publish on the Internet, quarterly reports—

15 (A) describing—

16 (i) the status of the allowance market
17 established under this Act;

18 (ii) regional, industrial, and consumer
19 responses to the market and the economic
20 costs and benefits of the market;

21 (iii) where practicable, investment re-
22 sponses to the market;

23 (iv) any corrective measures that Con-
24 gress should take to relieve excessive net
25 costs of the market; and

1 (v) plans to compensate for any such
2 measures, to ensure that the long-term
3 emissions reduction goals of this Act are
4 achieved;

5 (B) that are timely and succinct, to ensure
6 regular monitoring of market trends; and

7 (C) that are prepared independently by the
8 Board.

9 **Subtitle D—Climate Change**
10 **Technology Board**

11 **SEC. 431. ESTABLISHMENT.**

12 There is established, as an agency of the Federal
13 Government, the Climate Change Technology Board.

14 **SEC. 432. PURPOSE.**

15 The purpose of the board established by section 431
16 is to advance the purposes of this Act by using the funds
17 made available to the board under titles VIII through XI
18 to accelerate the commercialization and diffusion of low-
19 and zero-carbon technologies and practices.

20 **SEC. 433. INDEPENDENCE.**

21 The board established by section 431 shall have the
22 authority to distribute funds made available to the board
23 under this Act.

1 **SEC. 434. ADVANCE NOTIFICATION OF DISTRIBUTIONS OF**
2 **FUNDS.**

3 Not less than 60 days before distributing any funds
4 made available under this Act to the board established by
5 section 431, the board shall—

6 (1) publish in the Federal Register a detailed
7 notification of the distribution; and

8 (2) provide a detailed notification of the dis-
9 tribution to—

10 (A) the President;

11 (B) in the Senate—

12 (i) the Committee on Appropriations;

13 (ii) the Committee on Banking, Hous-
14 ing, and Urban Affairs;

15 (iii) the Committee on Budget;

16 (iv) the Committee on Commerce,
17 Science, and Transportation;

18 (v) the Committee on Energy and
19 Natural Resources;

20 (vi) the Committee on Environment
21 and Public Works;

22 (vii) the Committee on Finance;

23 (viii) the Committee on Homeland Se-
24 curity and Governmental Affairs; and

25 (ix) the Committee on Small Business
26 and Entrepreneurship;

- 1 (C) in the House of Representatives—
- 2 (i) the Committee on Appropriations;
- 3 (ii) the Committee on Budget;
- 4 (iii) the Committee on Energy and
- 5 Commerce;
- 6 (iv) the Committee on Natural Re-
- 7 sources;
- 8 (v) the Committee on Oversight and
- 9 Government Reform;
- 10 (vi) the Committee on Science and
- 11 Technology;
- 12 (vii) the Committee on Small Busi-
- 13 ness;
- 14 (viii) the Committee on Transpor-
- 15 tation and Infrastructure;
- 16 (ix) the Committee on Ways and
- 17 Means; and
- 18 (x) the Select Committee on Energy
- 19 Independence and Global Warming; and
- 20 (D) the Joint Economic Committee and
- 21 Joint Committee on Taxation of Congress.

22 **SEC. 435. CONGRESSIONAL OVERSIGHT OF BOARD EXPEND-**

23 **ITURES.**

- 24 (a) **DISAPPROVAL.**—An obligation of funds for which
- 25 a notification is submitted under section 434 shall not

1 occur if Congress enacts legislation disapproving the obli-
2 gation of funds by not later than 30 days after the date
3 of receipt of the notification.

4 (b) REPORTS.—Not later than 90 days after the end
5 of each of calendar years 2012 through 2050, the board
6 established by section 431 shall submit to each committee
7 of Congress identified in section 434 a report describing,
8 with respect to that calendar year—

9 (1) the actual amounts obligated during that
10 year;

11 (2) the purposes for which the amounts were
12 obligated; and

13 (3) the balance, if any, of the amounts that—

14 (A) were obligated during that year; but

15 (B) remain unexpended as of the date of
16 submission of the report.

17 **SEC. 436. REQUIREMENTS.**

18 (a) COMPOSITION.—The board established by section
19 431 shall be composed of 5 directors who are citizens of
20 the United States, of whom 1 shall be elected annually
21 by the board to serve as Chairperson.

22 (b) POLITICAL AFFILIATION.—Not more than 3 di-
23 rectors serving on the board at any time may be affiliated
24 with the same political party.

1 (c) APPOINTMENT AND TERM.—Each director shall
2 be appointed by the President, by and with the advice and
3 consent of the Senate, for a term of 5 years.

4 (d) QUORUM.—Three directors shall constitute a
5 quorum for a meeting of the board.

6 (e) PROHIBITIONS.—

7 (1) CONFLICTS OF INTEREST.—No individual
8 employed by, or holding any official relationship with
9 (including as a shareholder), any entity engaged in
10 the sector in which businesses receive distributions
11 of funds by the board, and no individual who has a
12 pecuniary interest in the implementation of this Act,
13 shall be appointed director.

14 (2) NO OTHER EMPLOYMENT.—A director shall
15 not hold any other employment during the term of
16 service of the director.

17 (f) VACANCIES.—

18 (1) IN GENERAL.—A vacancy on the board—

19 (A) shall not affect the powers of the
20 board, subject to the condition that the board
21 has a sufficient number of directors to establish
22 a quorum; and

23 (B) shall be filled in the same manner as
24 the original appointment was made.

1 (2) SERVICE UNTIL NEW APPOINTMENT.—A di-
2 rector whose term has expired or who has been re-
3 moved from the board shall continue to serve until
4 the date on which a replacement is appointed, if the
5 President determines that service to be appropriate.

6 (g) REMOVAL.—

7 (1) IN GENERAL.—A director may be removed
8 from the board for cause, on determination of the
9 President.

10 (2) NOTIFICATION.—Not later than 30 days be-
11 fore removing a director for cause under paragraph
12 (1), the President shall provide to the Congress an
13 advance notification of the determination by the
14 President to remove the director.

15 **SEC. 437. REVIEWS AND AUDITS BY COMPTROLLER GEN-**
16 **ERAL.**

17 The Comptroller General of the United States shall
18 conduct periodic reviews and audits of the efficacy of the
19 distributions of funds made by the board established by
20 section 431.

21 **Subtitle E—Auction on**
22 **Consignment**

23 **SEC. 441. REGULATIONS.**

24 Not later than 2 years after the date of enactment
25 of this Act, the Administrator shall promulgate regula-

1 tions under which the Administrator shall, at the request
2 of a recipient of a distribution of emission allowances
3 under this Act—

4 (1) include those emission allowances among
5 the quantity of emission allowances sold by the Ad-
6 ministrator at regular auction under this Act; and

7 (2) transfer the proceeds of the sale of those al-
8 lowances to the recipient.

9 **TITLE V—FEDERAL PROGRAM**
10 **TO PREVENT ECONOMIC**
11 **HARDSHIP**

12 **Subtitle A—Banking**

13 **SEC. 501. EFFECT OF TIME.**

14 The passage of time shall not, by itself, cause an al-
15 lowance to be retired or otherwise diminish the compliance
16 value of the allowance.

17 **Subtitle B—Borrowing**

18 **SEC. 511. REGULATIONS.**

19 (a) IN GENERAL.—Not later than 2 years after the
20 date of enactment of this Act, the Administrator shall pro-
21 mulgate regulations under which, subject to subsection
22 (b), the owner or operator of a covered entity may—

23 (1) borrow emission allowances from the Ad-
24 ministrator; and

1 (2) for a calendar year, submit borrowed emis-
2 sion allowances to the Administrator in satisfaction
3 of up to 15 percent of the compliance obligation
4 under section 202.

5 (b) **LIMITATION.**—An emission allowance borrowed
6 under subsection (a) shall be an emission allowance estab-
7 lished by the Administrator for a specific future calendar
8 year pursuant to section 201(a).

9 **SEC. 512. TERM.**

10 The owner or operator of a covered entity shall not
11 submit, and the Administrator shall not accept, a bor-
12 rowed emission allowance in partial satisfaction of the
13 compliance obligation under section 202 for any calendar
14 year that is more than 5 years earlier than the calendar
15 year included in the identification number of the borrowed
16 emission allowance.

17 **SEC. 513. REPAYMENT WITH INTEREST.**

18 For each borrowed emission allowance submitted in
19 partial satisfaction of the compliance obligation under sec-
20 tion 202 for a particular calendar year (referred to in this
21 section as the “use year”), the quantity of emission allow-
22 ances that the owner or operator is required to submit
23 under section 202 for the year from which the borrowed
24 emission allowance was taken (referred to in this section
25 as the “source year”) shall be equal to 1.1 raised by an

1 exponent equal to the difference between the source year
2 and the use year expressed as a positive whole number.

3 **Subtitle C—Emergency Off-Ramps**

4 **SEC. 521. EMERGENCY OFF-RAMPS TRIGGERED BY BOARD.**

5 (a) POWERS OF BOARD.—The Board may carry out
6 1 or more of the following cost relief measures to ensure
7 functioning, stable, and efficient markets for emission al-
8 lowances:

9 (1) Increase the quantity of emission allowances
10 that covered entities may borrow from the Adminis-
11 trator.

12 (2) Expand the period during which a covered
13 entity may repay the Administrator for an emission
14 allowance borrowed under paragraph (1).

15 (3) Increase the quantity of emission allowances
16 obtained on a foreign greenhouse gas emission trad-
17 ing market that the owner or operator of any cov-
18 ered entity may use to satisfy the allowance submis-
19 sion requirement of the covered entity under section
20 201, on the condition that the Administrator has
21 certified the market in accordance with the regula-
22 tions promulgated pursuant to section 322.

23 (4) Increase the quantity of offset allowances
24 generated in accordance with section 303 that the
25 owner or operator of any covered entity may use to

1 satisfy the total allowance submission requirement of
2 the covered entity under section 201.

3 (b) SUBSEQUENT ACTIONS.—On determination by
4 the Board to carry out a cost relief measure pursuant to
5 subsection (a), the Board shall—

6 (1) allow the cost relief measure to be used only
7 during the applicable allocation year;

8 (2) exercise the cost relief measure incremen-
9 tally, and only as needed to avoid significant eco-
10 nomic harm during the applicable allocation year;

11 (3) specify the terms of the relief to be achieved
12 using the cost relief measure;

13 (4) in accordance with section 423, submit to
14 the President and Congress a report describing the
15 actions carried out by the Board; and

16 (5) evaluate, at the end of the applicable alloca-
17 tion year, actions that need to be carried out during
18 subsequent years to compensate for any cost relief
19 measure carried out during the applicable allocation
20 year.

21 (c) LIMITATIONS.—Nothing in this section gives the
22 Board the authority—

23 (1) to consider or prescribe entity-level petitions
24 for relief from the costs of an emission allowance al-

1 location or trading program established under Fed-
2 eral law;

3 (2) to carry out any investigative or punitive
4 process under the jurisdiction of any Federal or
5 State court;

6 (3) to interfere with, modify, or adjust any
7 emission allowance allocation scheme established
8 under Federal law; or

9 (4) to modify the total quantity of emission al-
10 lowances issued under this Act for the period of cal-
11 endar years 2012 through 2050.

12 **SEC. 522. COST-CONTAINMENT AUCTIONS.**

13 (a) **IN GENERAL.**—In December of each of calendar
14 years 2012 through 2027, the Administrator shall conduct
15 a cost-containment auction of emission allowances that
16 shall be separate from other auctions of emission allow-
17 ances conducted by the Administrator under this Act.

18 (b) **RESTRICTION TO COVERED ENTITIES.**—In any
19 calendar year referred to in subsection (a), only covered
20 entities that were required under section 202 to submit
21 emission allowances for the preceding calendar year shall
22 be eligible to purchase emission allowances at the cost-con-
23 tainment auction under that subsection.

1 (c) USE OF EMISSION ALLOWANCES PURCHASED AT
2 A COST-CONTAINMENT AUCTION.—An emission allowance
3 purchased at a cost-containment auction shall—

4 (1) be submitted by the purchaser for compli-
5 ance under section 202 not later than 1 calendar
6 year after the date of purchase of the emission al-
7 lowance; and

8 (2) otherwise be valid for compliance under that
9 section irrespective of the year for which the emis-
10 sion allowance was established by the Administrator.

11 **SEC. 523. COST-CONTAINMENT AUCTION PRICE.**

12 (a) IN GENERAL.—At each cost-containment auction,
13 the Administrator shall offer emission allowances for sale
14 beginning at a minimum price, which shall be known as
15 the “cost-containment auction price”.

16 (b) COST-CONTAINMENT AUCTION PRICE IN 2012.—

17 (1) IN GENERAL.—The cost-containment auc-
18 tion price for the cost-containment auction that
19 takes place in December 2012 shall be the price es-
20 tablished under paragraph (2).

21 (2) INITIAL COST-CONTAINMENT AUCTION
22 PRICE.—

23 (A) PRESIDENTIAL DETERMINATION.—Not
24 later than 2 years after the date of enactment
25 of this Act, the President shall establish the

1 cost-containment auction price for calendar
2 year 2012 from within the range specified in
3 subparagraph (B), the cost-containment auction
4 price for calendar year 2012.

5 (B) RANGE.—The cost-containment auc-
6 tion price per emission allowance for December
7 2012 shall be—

8 (i) not less than \$22; and

9 (ii) not more than \$30.

10 (C) ECONOMIC MODELING.—The President
11 shall establish the cost-containment auction
12 price under this paragraph based on economic
13 computer modeling relating to this Act con-
14 ducted by—

15 (i) the Administrator; and

16 (ii) the Administrator of the Energy
17 Information Administration.

18 (D) PUBLIC INPUT.—The Administrator
19 and the Administrator of the Energy Informa-
20 tion Administration shall provide public notice
21 of, and an opportunity to comment on, the com-
22 puter models, assumptions, and protocols
23 planned to be used in modeling relating to this
24 Act under subparagraph (C).

1 (c) COST-CONTAINMENT AUCTION PRICE IN SUBSE-
2 QUENT YEARS.—At the cost-containment auction for each
3 of calendar years 2013 through 2027, the cost-contain-
4 ment auction price per emission allowance shall be equal
5 to the product obtained by multiplying—

6 (1) the cost-containment auction price that ap-
7 plied to the cost-containment auction that was con-
8 ducted during the preceding calendar year; and

9 (2) the sum of—

10 (A) the annual rate of United States dollar
11 inflation for the calendar year (as measured by
12 the Consumer Price Index); and

13 (B) 1.05.

14 **SEC. 524. REGULAR AUCTION RESERVE PRICE.**

15 (a) IN GENERAL.—At any regular auction, there
16 shall be a regular auction reserve price below which the
17 Administrator shall not sell any emission allowance.

18 (b) REGULAR AUCTION RESERVE PRICE IN 2012.—
19 At any regular auction that takes place during calendar
20 year 2012, the regular auction reserve price per emission
21 allowance shall be \$10.

22 (c) REGULAR AUCTION RESERVE PRICE IN SUBSE-
23 QUENT YEARS.—For each of calendar years 2013 through
24 2027, the regular auction reserve price at any regular auc-

1 tion that takes place during the calendar year shall be
2 equal to the product obtained by multiplying—

3 (1) the regular auction reserve price that ap-
4 plied to each regular auction conducted during the
5 preceding calendar year; and

6 (2) the sum of—

7 (A) the annual rate of United States dollar
8 inflation for the calendar year (as measured by
9 the Consumer Price Index); and

10 (B) 1.05.

11 **SEC. 525. POOL OF EMISSION ALLOWANCES FOR THE COST-**
12 **CONTAINMENT AUCTIONS.**

13 (a) IN GENERAL.—Not later than 2 years after the
14 date of enactment of this Act, the Administrator shall es-
15 tablish a cost-containment auction pool to reserve the
16 emission allowances that shall be offered for sale at the
17 annual cost-containment auctions.

18 (b) FILLING THE COST-CONTAINMENT AUCTION
19 POOL.—

20 (1) IN GENERAL.—Notwithstanding section
21 201(a), the Administrator shall, not later than 2
22 years after the date of enactment of this Act, reserve
23 a total of 6,000,000,000 of the emission allowances
24 established for the period of calendar years 2030
25 through 2050 pursuant to that section and transfer

1 the emission allowances to the cost-containment auc-
2 tion pool.

3 (2) GRADUATED REMOVAL.—For each of cal-
4 endar years 2031 through 2050, the quantity of
5 emission allowances reserved pursuant to paragraph
6 (1) from the quantity established for that year pur-
7 suant to section 201(a) shall be greater, by a per-
8 centage that remains constant from calendar year to
9 calendar year, than the quantity reserved from the
10 preceding year.

11 (c) SUPPLEMENTING THE COST-CONTAINMENT AUC-
12 TION POOL.—The Administrator shall transfer to the
13 cost-containment auction pool each emission allowance
14 that was not sold at a regular auction because of the oper-
15 ation of the regular auction reserve price.

16 **SEC. 526. LIMIT ON THE QUANTITY OF EMISSION ALLOW-**
17 **ANCES SOLD AT ANY COST-CONTAINMENT**
18 **AUCTION.**

19 (a) IN GENERAL.—At each cost-containment auction,
20 there shall be a limit on the quantity of emission allow-
21 ances that the Administrator may sell at the auction.

22 (b) COST-CONTAINMENT AUCTION LIMIT IN 2012.—
23 At the cost-containment auction that takes place during
24 December 2012, the cost-containment auction limit de-

1 scribed in subsection (a) shall be 450,000,000 emission
2 allowances.

3 (c) COST-CONTAINMENT AUCTION LIMIT IN SUBSE-
4 QUENT YEARS.—At the cost-containment auction during
5 each of calendar years 2013 through 2027, the cost-con-
6 tainment auction limit described in subsection (a) shall be
7 the product obtained by multiplying—

8 (1) the cost-containment auction limit that ap-
9 plied to the cost-containment auction that took place
10 during the preceding calendar year; and

11 (2) 0.99.

12 (d) PER-ENTITY PURCHASE LIMIT.—

13 (1) IN GENERAL.—Subject to paragraph (2),
14 the Administrator shall, by regulation, establish for
15 each cost-containment auction a limitation on the
16 number of emission allowances that any single entity
17 may purchase at the cost-containment auction.

18 (2) REQUIREMENT.—A limitation under para-
19 graph (1) shall be established at a quantity that en-
20 sures fair access to emission allowances by all cov-
21 ered entities that are eligible to purchase emission
22 allowances at the cost-containment auction.

1 **SEC. 527. USING THE PROCEEDS OF THE ANNUAL COST-**
2 **CONTAINMENT AUCTIONS.**

3 (a) **ACHIEVING ADDITIONAL EMISSION REDUCTIONS**
4 **FROM UN-CAPPED SOURCES.—**

5 (1) **IN GENERAL.—**The Administrator shall use
6 70 percent of the proceeds from each cost-contain-
7 ment auction to achieve additional greenhouse gas
8 emission reductions from entities that are not sub-
9 ject to the compliance obligation under section 202.

10 (2) **REGULATIONS.—**Not later than 2 years
11 after the date of enactment of this Act, the Adminis-
12 trator shall promulgate regulations to implement
13 this subsection.

14 (b) **PROVIDING ADDITIONAL RELIEF TO ENERGY**
15 **CONSUMERS.—**The Administrator shall deposit 30 percent
16 of the proceeds from each cost-containment auction in the
17 Climate Change Consumer Assistance Fund established by
18 section 581.

19 **SEC. 528. RETURNING EMISSION ALLOWANCES NOT SOLD**
20 **AT THE ANNUAL COST-CONTAINMENT AUC-**
21 **TIONS.**

22 (a) **ORDER OF SALE OF EMISSION ALLOWANCES IN**
23 **COST-CONTAINMENT AUCTION POOL.—**The Adminis-
24 trator shall not sell at a cost-containment auction an emis-
25 sion allowance reserved pursuant to section 525(b) from
26 the quantity of emission allowances established for a par-

1 ticular calendar year until such time as the Administrator
2 has sold all emission allowances reserved from the quan-
3 tity of emission allowances established for earlier calendar
4 years.

5 (b) RETURN OF UNSOLD EMISSION ALLOWANCES IN
6 THE COST-CONTAINMENT AUCTION POOL.—Immediately
7 prior to the cost-containment auction during each of cal-
8 endar years 2022 through 2027, the Administrator shall
9 remove from the cost-containment auction pool, and make
10 subject again to allocation or sale at regular auction in
11 accordance with this Act, each emission allowance that—

12 (1) has, by that time, remained in the cost-con-
13 tainment auction pool for more than 9 years; and

14 (2) was established pursuant to section 201(a)
15 for a calendar year that is fewer than 10 years sub-
16 sequent to the calendar year during which the im-
17 pending cost-containment auction will occur.

18 **SEC. 529. DISCONTINUING THE ANNUAL COST-CONTAIN-**
19 **MENT AUCTIONS.**

20 (a) IN GENERAL.—Notwithstanding section 521(a),
21 if the cost-containment auction pool is exhausted at a cost-
22 containment auction, the Administrator shall conduct no
23 further cost-containment auctions.

24 (b) RETIREMENT OF EMISSION ALLOWANCES NOT
25 SOLD AT REGULAR AUCTIONS OCCURRING AFTER FINAL

1 COST-CONTAINMENT AUCTION.—Immediately following
2 any regular auction that occurs after the Administrator
3 has conducted a final cost-containment auction, the Ad-
4 ministrator shall retire any emission allowances not sold
5 at that regular auction because of the operation of the
6 regular auction reserve price.

7 **Subtitle D—Transition Assistance**
8 **for Workers**

9 **SEC. 531. ESTABLISHMENT.**

10 There is established in the Treasury a fund, to be
11 known as the “Climate Change Worker Training and As-
12 sistance Fund.”

13 **SEC. 532. AUCTIONS.**

14 (a) IN GENERAL.—In accordance with subsections
15 (b) and (c), to raise funds for deposit in the Climate
16 Change Worker Training and Assistance Fund, for each
17 of calendar years 2012 through 2050, the Administrator
18 shall—

19 (1) auction a quantity of the emission allow-
20 ances established pursuant to section 201(a) for
21 each calendar year; and

22 (2) immediately upon receipt of the auction pro-
23 ceeds, deposit the auction proceeds in the Climate
24 Change Worker Training and Assistance Fund.

1 (b) NUMBER; FREQUENCY.—For each calendar year
 2 during the period described in subsection (a), the Adminis-
 3 trator shall—

4 (1) conduct not fewer than 4 auctions; and

5 (2) schedule the auctions in a manner to ensure
 6 that—

7 (A) each auction takes place during the pe-
 8 riod beginning 330 days before, and ending 60
 9 days before, the beginning of each calendar
 10 year; and

11 (B) the interval between each auction is of
 12 equal duration.

13 (c) QUANTITIES OF EMISSION ALLOWANCES AUC-
 14 TIONED.—For each calendar year of the period described
 15 in subsection (a), the Administrator shall auction a quan-
 16 tity of emission allowances in accordance with the applica-
 17 ble percentages described in the following table:

Calendar Year	Percentage for auction for Climate Change Worker Training and As- sistance Fund
2012	1
2013	1
2014	1
2015	1
2016	1
2017	1
2018	2
2019	2
2020	2
2021	2
2022	2
2023	2
2024	2

Calendar Year	Percentage for auction for Climate Change Worker Training and As- sistance Fund
2025	2
2026	2
2027	2
2028	3
2029	3
2030	3
2031	4
2032	4
2033	4
2034	4
2035	4
2036	4
2037	4
2038	4
2039	3
2040	3
2041	3
2042	3
2043	3
2044	3
2045	3
2046	3
2047	3
2048	3
2049	3
2050	3.

1 SEC. 533. DEPOSITS.

2 The Administrator shall deposit all proceeds of auc-
 3 tions conducted pursuant to section 532, immediately
 4 upon receipt of those proceeds, in the Climate Change
 5 Worker Training and Assistance Fund.

6 SEC. 534. USES.

7 (a) ENERGY EFFICIENCY AND RENEWABLE ENERGY
 8 WORKER TRAINING PROGRAM.—For each of calendar
 9 years 2012 through 2050, 30 percent of the funds depos-
 10 ited in the Climate Change Worker Training and Assist-

1 ance Fund for the preceding year under section 533 shall
2 be made available, without further appropriation or fiscal
3 year limitation, to carry out the Energy Efficiency and
4 Renewable Energy Worker Training Program established
5 by section 171(e) of the Workforce Investment Act of
6 1998 (29 U.S.C. 2916(e)).

7 (b) CLIMATE CHANGE WORKER ADJUSTMENT PRO-
8 GRAM.—For each of calendar years 2012 through 2050,
9 60 percent of the funds deposited in the Climate Change
10 Worker Training and Assistance Fund for the preceding
11 year under section 533 shall be made available, without
12 further appropriation or fiscal year limitation, to carry out
13 the Climate Change Worker Assistance Program estab-
14 lished pursuant to section 535.

15 (c) WORKFORCE TRAINING AND SAFETY.—For each
16 of calendars year 2012 through 2050, 10 percent of the
17 funds deposited in the Climate Change Worker Training
18 and Assistance Fund for the preceding year under section
19 533 shall be made available, without further appropriation
20 or fiscal year limitation, to carry out section 536.

21 **SEC. 535. CLIMATE CHANGE WORKER ASSISTANCE PRO-**
22 **GRAM.**

23 (a) PURPOSE.—The purpose of this section is to en-
24 sure that any individual workers and groups of employees
25 that are adversely affected by Federal policy and climate

1 change legislation receive the benefits, skill training, re-
2 training, and job search assistance that will enable the
3 workers and groups to maintain self-sufficiency and obtain
4 family-sustaining jobs that contribute to overall economic
5 productivity, international competitiveness, and the posi-
6 tive quality of life expected by all individuals in the United
7 States.

8 (b) DEFINITIONS.—In this section:

9 (1) DEPUTY ASSISTANT SECRETARY.—The term
10 “Deputy Assistant Secretary” means the Deputy As-
11 sistant Secretary for Climate Change Adjustment
12 Assistance appointed under subsection (e)(2).

13 (2) MASC.—The term “MASC” means the
14 Multi-Agency Steering Committee established under
15 subsection (d)(1).

16 (3) OFFICE.—The term “Office” means the Of-
17 fice of Climate Change Adjustment Assistance estab-
18 lished by subsection (e).

19 (4) PROGRAM.—The term “Program” means
20 the Climate Change Worker Adjustment Assistance
21 Program established under regulations promulgated
22 under subsection (c).

23 (5) SECRETARY.—The term “Secretary” means
24 the Secretary of Labor.

1 (c) ESTABLISHMENT.—Not later than 180 days after
2 the date of enactment of this Act, the Secretary, in con-
3 sultation with the Administrator, the Secretary of Energy,
4 and the Secretary of Commerce, shall promulgate regula-
5 tions to establish a Climate Change Worker Adjustment
6 Assistance Program to achieve the purpose of this section.

7 (d) MULTI-AGENCY STEERING COMMITTEE.—

8 (1) IN GENERAL.—The Secretary shall establish
9 a Multi-Agency Steering Committee.

10 (2) COMPOSITION.—The MASC shall be—

11 (A) composed of representatives of the Sec-
12 retary, the Secretary of Commerce, and the
13 Secretary of Energy; and

14 (B) chaired by the Administrator.

15 (3) ACTIVITIES.—The MASC shall—

16 (A) not later than 60 days after the date
17 of enactment of this Act, negotiate and sign a
18 memorandum of understanding that affirms the
19 commitment of relevant Federal agencies to
20 work cooperatively to carry out the activities of
21 the Program;

22 (B) not later than 120 days after the date
23 of enactment of this Act, establish a National
24 Climate Change Advisory Committee (referred
25 to in this subsection as the “Advisory Com-

1 mittee’’), which shall be composed of an equal
2 number of representatives, to be nominated by
3 the Speaker of the House of Representatives
4 and the Majority Leader of the Senate, of labor
5 organizations (as defined in section 401.9 of
6 title 29, Code of Federal Regulations (as in ef-
7 fect on the date of enactment of this Act)) and
8 business organizations to advise the MASC
9 on—

10 (i) the strategic plan and the struc-
11 ture and operation of the Program;

12 (ii) the content of applicable regula-
13 tions; and

14 (iii) industry trends, workforce devel-
15 opments, and other matters relating to the
16 impact of Federal climate change legisla-
17 tion;

18 (C)(i) not later than 120 days after the
19 date of enactment of this Act, hold planning
20 meetings; and

21 (ii) not later than 270 days after the date
22 of enactment of this Act, formulate a com-
23 prehensive strategic plan for addressing impacts
24 of Federal climate change legislation on each
25 segment of the workforce;

1 (D) report the anticipated results of the
2 strategic plan to the Committee on Ways and
3 Means of the House of Representatives and the
4 Committee on Finance of the Senate;

5 (E) submit to the President and Congress
6 an annual report on the performance, achieve-
7 ments, and challenges of the Program; and

8 (F) meet as often as necessary, but not
9 less often than quarterly, in person—

10 (i) to monitor the administration of
11 the Program; and

12 (ii) to ensure that the Program is
13 being carried out by the Office in a man-
14 ner consistent with the purpose of the Pro-
15 gram.

16 (e) OFFICE OF CLIMATE CHANGE ADJUSTMENT AS-
17 SISTANCE.—

18 (1) ESTABLISHMENT.—There is established in
19 the Department of Labor an office to be known as
20 the “Office of Climate Change Adjustment Assist-
21 ance”.

22 (2) HEAD OF OFFICE.—The head of the Office
23 shall be the Deputy Assistant Secretary for Climate
24 Change Adjustment Assistance, who shall be ap-

1 pointed by the President, by and with the advice and
2 consent of the Senate.

3 (3) PRINCIPAL FUNCTIONS.—The principal
4 functions of the Deputy Assistant Secretary shall
5 be—

6 (A) to oversee and implement the adminis-
7 tration of the Program; and

8 (B) to carry out functions delegated to and
9 by the Secretary under this section.

10 (f) PROGRAM ADMINISTRATION.—

11 (1) IN GENERAL.—Not later than 1 year after
12 the date of enactment of this Act, the Secretary
13 shall promulgate regulations for administration of
14 the Program.

15 (2) COORDINATION.—The Secretary shall de-
16 velop the regulations in consultation with—

17 (A) the MASC;

18 (B) the Committee on Ways and Means of
19 the House of Representatives;

20 (C) the Committee on Education and
21 Labor of the House of Representatives;

22 (D) the Committee on Finance of the Sen-
23 ate; and

24 (E) the Committee on Health, Education,
25 Labor, and Pensions of the Senate.

1 (3) INCLUSIONS.—The regulations shall include
2 definitions of and procedures for—

3 (A) the provision of comprehensive infor-
4 mation to workers about the benefit allowances,
5 training, and other employment services avail-
6 able under this section (including application
7 procedures, and the appropriate filing dates, for
8 the allowances, training, and services);

9 (B) the filing of petitions for certification
10 of eligibility for workers to apply for climate
11 change adjustment assistance, including mecha-
12 nisms to ensure rapid response to filed peti-
13 tions;

14 (C) the establishment of eligibility require-
15 ments for eligible climate change training and
16 assistance benefits and the terms of the dis-
17 bursal of any assistance benefits;

18 (D) requests for a hearing by a petitioner,
19 or any other person or organization with a sub-
20 stantial interest in the proceedings;

21 (E) an appeals process;

22 (F) termination of any certification eligi-
23 bility;

24 (G) certification of eligibility requirements
25 for a group of workers, adversely affected sec-

1 ondary workers, and industry-wide certification,
2 including a mechanism by which the Secretary
3 will notify each Governor of a State in which
4 workers are located of the certification; and

5 (H) a means of ensuring publication of any
6 determinations in the Federal Register and on
7 the website of the Department of Labor.

8 (g) PROGRAM BENEFITS.—

9 (1) DEFINITIONS.—In this subsection:

10 (A) BASE REPLACEMENT WAGE
11 AMOUNT.—The term “base replacement wage
12 amount” means, as determined by the case
13 manager of an applicant, the total weekly wages
14 or salary of the applicant at the most recent po-
15 sition held by the applicant at a firm or public
16 agency before the date on which the position of
17 the applicant was partially or totally terminated
18 by the firm or public agency.

19 (B) CLIMATE CHANGE READJUSTMENT AL-
20 LOWANCE.—The term “climate change read-
21 justment allowance” means a regular payment
22 made to an applicant that, in combination with
23 unemployment insurance payments made to the
24 applicant, is equal to the base replacement wage
25 amount.

1 (C) HEALTH CARE BENEFIT REPLACE-
2 MENT AMOUNT.—The term “health care benefit
3 replacement amount” means, as determined by
4 the case manager of an applicant who is eligible
5 to receive a climate change readjustment allow-
6 ance, a regular payment made to a health care
7 provider to allow the applicant to maintain
8 health care benefits, for the applicant and the
9 family of the applicant, with no loss of service,
10 during the period for which the applicant is eli-
11 gible to receive the climate change readjustment
12 allowance.

13 (2) CLIMATE CHANGE ADJUSTMENT ASSIST-
14 ANCE.—The Secretary shall determine, in consulta-
15 tion with the MASC and the National Climate
16 Change Advisory Committee, the types of climate
17 change training and assistance benefits that should
18 be provided under the Program.

19 (3) TYPES OF ELIGIBLE ASSISTANCE.—Benefits
20 eligible to be disbursed under the Program include
21 a payment of—

22 (A) a climate change readjustment allow-
23 ance; and

24 (B) a health care benefit replacement
25 amount.

1 (4) LIMITATIONS ON CLIMATE CHANGE READ-
2 JUSTMENT ALLOWANCES.—An eligible worker may
3 receive the benefits described in subparagraphs (A)
4 and (B) of paragraph (3) for a duration of not
5 longer than 3 years.

6 (5) PAYMENTS AS A BRIDGE TO RETIRE-
7 MENT.—A worker eligible to receive climate change
8 adjustment assistance may apply for a lump sum
9 payment to be paid to a retirement plan in order to
10 qualify for retirement under the rules and regula-
11 tions of that plan.

12 (6) EMPLOYMENT AND CASE MANAGEMENT
13 SERVICES.—The Secretary shall provide, through
14 agreements with State employment services agencies,
15 to adversely affected workers covered by a certifi-
16 cation of eligibility for a climate change readjust-
17 ment allowance, the following employment and case
18 management information and services:

19 (A) Comprehensive and specialized assess-
20 ment of skill levels and service needs, including
21 through—

22 (i) diagnostic testing and use of other
23 assessment tools; and

1 (ii) in-depth interviewing and evalua-
2 tion to identify employment barriers and
3 appropriate employment goals.

4 (B) Development of an individual employ-
5 ment plan to identify employment goals and ob-
6 jectives, and appropriate training to achieve
7 those goals and objectives.

8 (C) Information on—

9 (i) training available in local and re-
10 gional areas;

11 (ii) individual counseling to determine
12 which training is most suitable; and

13 (iii) information on how to apply for
14 that training.

15 (D) Information on how to apply for finan-
16 cial aid, including—

17 (i) referring workers to educational
18 opportunity centers under section 402F of
19 the Higher Education Act of 1965 (20
20 U.S.C. 1070a–16), where applicable; and

21 (ii) notifying workers that the workers
22 may ask financial aid administrators at in-
23 stitutions of higher education to allow use
24 of their current year income in the finan-
25 cial aid process.

1 (E) Short-term provisional services, includ-
2 ing development of learning skills, communica-
3 tions skills, interviewing skills, punctuality, per-
4 sonal maintenance skills, and professional con-
5 duct to prepare individuals for employment or
6 training.

7 (F) Individual career counseling, including
8 job search and placement counseling, during the
9 period in which the individual is receiving cli-
10 mate change readjustment allowances under
11 this section, and for the purpose of job place-
12 ment after receiving that training.

13 (G) Provision of employment statistics in-
14 formation, including the provision of accurate
15 information relating to local, regional, and na-
16 tional labor market areas, including—

17 (i) job vacancy listings in those labor
18 market areas;

19 (ii) information on job skills necessary
20 to obtain jobs identified in job vacancy list-
21 ings described in clause (i);

22 (iii) information relating to local occu-
23 pations that are in demand and earnings
24 potential of those occupations; and

1 (iv) skill requirements for local occu-
2 pations described in clause (iii).

3 (H) Supportive services, including services
4 relating to child care, transportation, dependent
5 care, housing assistance, and need-related pay-
6 ments that are necessary to enable an indi-
7 vidual to participate in training.

8 (7) STATE ADMINISTRATION OF WORKER AS-
9 SISTANCE.—A State employment security agency,
10 acting pursuant to an agreement with the Secretary,
11 shall carry out such administrative activities (includ-
12 ing using State agency personnel employed in ac-
13 cordance with applicable standards for a merit sys-
14 tem of personnel administration) as are necessary
15 for the proper and efficient operation of the Pro-
16 gram, including—

17 (A) making determinations of eligibility
18 for, and payment of, climate change readjust-
19 ment allowances and health care benefit re-
20 placement amounts;

21 (B) developing recommendations regarding
22 use of those payments as a bridge to retirement
23 in accordance with this subsection; and

1 (C) the provision of employment and case
2 management services to eligible workers as de-
3 scribed in paragraph (6).

4 (h) TRAINING.—

5 (1) IN GENERAL.—Not later than 120 days
6 after the date of enactment of this Act, the Sec-
7 retary shall establish procedures for the allocation
8 among States, for each fiscal year, of funds available
9 to pay the costs of training for climate change ad-
10 justment assistance-eligible individuals under this
11 section.

12 (2) INCLUSION IN STRATEGIC PLAN.—The pro-
13 cedures established under paragraph (1) shall be de-
14 scribed in the strategic plan described in subsection
15 (d)(3)(C)(ii).

16 (3) DISTRIBUTION.—In establishing and imple-
17 menting the procedures under paragraph (1), the
18 Secretary shall—

19 (A) provide for at least 3 distributions of
20 funds available for training during a fiscal year;
21 and

22 (B) during the first such distribution for a
23 fiscal year, disburse not more than 50 percent
24 of the total amount of funds available to a
25 State for training for that fiscal year.

1 (4) APPROVAL OF TRAINING.—

2 (A) IN GENERAL.—If the Secretary makes
3 a determination described in subparagraph (B),
4 the Secretary shall approve training described
5 in that subparagraph for the worker.

6 (B) DETERMINATION.—The determination
7 referred to in subparagraph (A) is a determina-
8 tion that—

9 (i) a worker would benefit from appro-
10 priate training;

11 (ii) there is reasonable expectation of
12 employment following completion of the
13 training;

14 (iii) training approved by the Sec-
15 retary is reasonably available to the worker
16 from government agencies or a private
17 source;

18 (iv) the worker is qualified to under-
19 take and complete the training; and

20 (v) the training is suitable for the
21 worker and available at a reasonable cost.

22 (C) PAYMENT.—A worker approved to re-
23 ceive training under this paragraph shall be en-
24 titled to have payment of the costs of the train-
25 ing (subject to applicable limitations under this

1 section) paid on behalf of the Secretary directly
2 or through a voucher system.

3 (5) TRAINING PROGRAMS.—The training pro-
4 grams for which a worker may be approved under
5 paragraph (4) include—

6 (A) employer-based training, including on-
7 the-job training, customized training, and skill
8 upgrading for incumbent workers;

9 (B) any training program provided by a
10 State pursuant to title I of the Workforce In-
11 vestment Act of 1998 (29 U.S.C. 2801 et seq.);

12 (C) any training program provided by a
13 workforce investment board established under
14 section 111 of that Act (29 U.S.C. 2821);

15 (D) any program of remedial education;

16 (E) skill development and training for jobs
17 relating to renewable energy, low- or zero-car-
18 bon technologies, energy efficiency, and the re-
19 mediation and cleanup of environmentally dis-
20 tressed areas; and

21 (F) any other training program approved
22 by the Secretary.

23 (6) REGULATIONS.—The Secretary shall pro-
24 mulgate regulations that establish criteria for use in
25 carrying out this subsection.

1 (7) SUPPLEMENTAL ASSISTANCE.—The Sec-
2 retary may, as appropriate, authorize supplemental
3 assistance that is necessary to defray reasonable
4 transportation and subsistence expenses for separate
5 maintenance in a case in which training for a worker
6 is provided in a facility that is not within commuting
7 distance of the regular place of residence of the
8 worker.

9 (8) ADDITIONAL ON-THE-JOB TRAINING.—
10 Under the Program, the Secretary may provide
11 funds to be used as job search allowances and relo-
12 cation allowances.

13 (9) LABOR CONSULTATION.—If a labor organi-
14 zation represents a substantial number of workers
15 who are engaged in similar work or training in a
16 geographical area that is the same as the geo-
17 graphical area that is proposed to be funded under
18 this section, the labor organization shall be provided
19 an opportunity to be consulted and to submit com-
20 ments with respect to the proposal.

21 (i) CONSISTENCY WITH CURRENT LABOR LAWS.—
22 The Secretary shall determine which Federal worker pro-
23 tection, nondiscrimination requirements, and labor stand-
24 ards apply to the Program.

1 **SEC. 536. WORKFORCE TRAINING AND SAFETY.**

2 (a) DEFINITION OF ZERO- AND LOW-EMITTING CAR-
3 BON ENERGY TECHNOLOGY.—In this section, the term
4 “zero- and low-emitting carbon energy technology” means
5 any technology that has a rated capacity of at least 750
6 megawatts of power.

7 (b) EDUCATION PROGRAMS.—In order to enhance the
8 educational opportunities and safety of future generations
9 of scientists, engineers, health physicists, and energy work-
10 force employees, funds made available under section
11 534(c) shall be used for programs to assist institutions
12 of education in the United States—

13 (1) to remain at the forefront of science edu-
14 cation and research;

15 (2) to operate advanced energy research facili-
16 ties and carry out other related educational activi-
17 ties; and

18 (3) to conduct climate change science and policy
19 education.

20 (c) WORKFORCE TRAINING.—

21 (1) IN GENERAL.—The Secretary of Labor shall
22 promulgate regulations—

23 (A) to implement a program to provide
24 workforce training to meet the high demand for
25 workers skilled in zero- and low-emitting carbon
26 energy technologies;

- 1 (B) to implement programs for—
- 2 (i) electrical craft certification;
- 3 (ii) career and technology awareness
- 4 at the primary and secondary education
- 5 levels;
- 6 (iii) preapprenticeship career technical
- 7 education for all zero- and low-emitting
- 8 carbon energy technologies relating to in-
- 9 dustrial skilled crafts;
- 10 (iv) community college and skill center
- 11 training for zero- and low-emitting carbon
- 12 energy technology technicians;
- 13 (v) training of construction manage-
- 14 ment personnel for zero- and low-carbon
- 15 emitting carbon energy technology con-
- 16 struction projects; and
- 17 (vi) regional grants for integrated
- 18 zero- and low-emitting carbon energy tech-
- 19 nology workforce development programs;
- 20 and

21 (C) to ensure the safety of workers in the

22 fields described in subparagraphs (A) and (B).

23 (2) CONSULTATION.—In carrying out this sub-

24 section, the Secretary of Labor shall consult with

25 relevant Federal agencies, representatives of the

1 zero- and low-carbon emitting technologies indus-
 2 tries, and organized labor regarding the skills and
 3 safety measures required in those industries.

4 **Subtitle E—Transition Assistance**
 5 **for Carbon-Intensive Manufac-**
 6 **turers**

7 **SEC. 541. ALLOCATION.**

8 (a) IN GENERAL.—Not later than 330 days before
 9 the beginning of each of calendar years 2012 through
 10 2030, the Administrator shall allocate a percentage of the
 11 quantity of emission allowances established pursuant to
 12 section 201(a) for that calendar year for distribution
 13 among owners and operators of carbon-intensive manufac-
 14 turing facilities in the United States.

15 (b) QUANTITIES OF EMISSION ALLOWANCES ALLO-
 16 CATED.—The quantities of emission allowances allocated
 17 pursuant to subsection (a) shall be the quantities rep-
 18 resented by the percentages in the following table:

Calendar Year	Percentage for distribu- tion among carbon-inten- sive manufacturing facili- ties in United States
2012	11
2013	11
2014	11
2015	11
2016	11
2017	11
2018	11
2019	11
2020	11
2021	11

Calendar Year	Percentage for distribution among carbon-intensive manufacturing facilities in United States
2022	10
2023	9
2024	7
2025	6
2026	5
2027	4
2028	3
2029	2
2030	1.

1 **SEC. 542. DISTRIBUTION.**

2 (a) DEFINITIONS.—In this section:

3 (1) CURRENTLY OPERATING FACILITY.—The
 4 term “currently operating facility” means an eligible
 5 manufacturing facility that had significant oper-
 6 ations during the calendar year preceding the cal-
 7 endar year for which emission allowances are distrib-
 8 uted under this section.

9 (2) ELIGIBLE MANUFACTURING FACILITY.—

10 (A) IN GENERAL.—The term “eligible
 11 manufacturing facility” means a manufacturing
 12 facility located in the United States that prin-
 13 cipally manufactures iron, steel, pulp, paper,
 14 cement, rubber, chemicals, glass, ceramics, sul-
 15 fur hexafluoride, or aluminum and other non-
 16 ferrous metals.

17 (B) EXCLUSION.—The term “eligible man-
 18 ufacturing facility” does not include a facility

1 eligible to receive emission allowances under
2 subtitle F or H.

3 (3) INDIRECT CARBON DIOXIDE EMISSIONS.—

4 The term “indirect carbon dioxide emissions” means
5 the product obtained by multiplying (as determined
6 by the Administrator)—

7 (A) the quantity of electricity consumption
8 at an eligible manufacturing facility; and

9 (B) the rate of carbon dioxide emission per
10 kilowatt-hour output for the region in which the
11 manufacturer is located.

12 (4) NEW ENTRANT MANUFACTURING FACIL-
13 ITY.—The term “new entrant manufacturing facil-
14 ity”, with respect to a calendar year, means an eligi-
15 ble manufacturing facility that began operation dur-
16 ing or after the calendar year for which emission al-
17 lowances are being distributed under this section.

18 (b) REGULATIONS.—Not later than 2 years after the
19 date of enactment of this Act, the Administrator shall pro-
20 mulgate regulations establishing a system for distributing,
21 for each of calendar years 2012 through 2030, among
22 owners and operators of individual carbon-intensive manu-
23 facturing facilities in the United States, the emission al-
24 lowances allocated for that year by section 541.

1 (c) TOTAL ALLOCATION FOR CURRENTLY OPER-
2 ATING FACILITIES.—As part of the system established
3 under subsection (b), the Administrator shall, for each cal-
4 endar year, distribute 96 percent of the total quantity of
5 emission allowances available for allocation to owners and
6 operators of carbon-intensive manufacturing facilities
7 under section 541 to owners and operators currently oper-
8 ating those facilities.

9 (d) TOTAL ALLOCATION FOR CURRENTLY OPER-
10 ATING FACILITIES IN EACH CATEGORY OF MANUFAC-
11 TURING.—The regulations promulgated under subsection
12 (b) shall provide that the quantity of emission allowances
13 distributed by the Administrator for a calendar year to
14 facilities in each category of currently operating facilities
15 shall be equal to the product obtained by multiplying—

16 (1) the total quantity of emission allowances
17 available for allocation under section 541; and

18 (2) the ratio that (during the calendar year pre-
19 ceding the calendar year for which emission allow-
20 ances are being distributed under this section)—

21 (A) the sum of the average annual direct
22 and indirect carbon dioxide equivalent emissions
23 during the 3-calendar-year period immediately
24 preceding the year of distribution under this

1 section by currently operating facilities in the
2 category; bears to

3 (B) the sum of the average annual direct
4 and indirect carbon dioxide equivalent emissions
5 during the 3-calendar-year period immediately
6 preceding the year of distribution under this
7 section by all currently operating facilities.

8 (e) INDIVIDUAL ALLOCATIONS TO CURRENTLY OP-
9 ERATING FACILITIES.—The regulations promulgated
10 under subsection (b) shall provide that the quantity of
11 emission allowances distributed by the Administrator for
12 a calendar year to the owner or operator of a currently
13 operating facility shall be a quantity equal to the product
14 obtained by multiplying—

15 (1) the total quantity of emission allowances
16 available for allocation to owners and operators of
17 currently operating facilities in the appropriate cat-
18 egory, as determined under subsection (c); and

19 (2) the proportion that, during the 3-calendar-
20 year period immediately preceding the calendar year
21 for which emission allowances are being distributed
22 under this section—

23 (A) the sum of the average annual direct
24 and indirect carbon dioxide equivalent emissions
25 during the 3-calendar-year period immediately

1 preceding the calendar year under this section
2 by the facility; bears to

3 (B) the sum of the average annual direct
4 and indirect carbon dioxide equivalent emissions
5 during the 3-calendar-year period immediately
6 preceding the calendar year under this section
7 of all currently operating facilities in the same
8 category.

9 (f) ENERGY INTENSITY-BASED ALLOCATION.—

10 (1) IN GENERAL.—Not later than 1 year after
11 the date of enactment of this Act, the Administrator
12 shall submit to Congress a report containing an
13 analysis of the feasibility of distributing a portion or
14 all of the emission allowances distributed under this
15 section to single facilities on an energy-intensity
16 basis.

17 (2) REGULATIONS.—If the report under para-
18 graph (1) contains a determination by the Adminis-
19 trator that an energy intensity-based distribution
20 program would encourage efficiency, and would not
21 cause undue economic harm, the Administrator, not
22 later than 18 months after the date of submission
23 of the report, shall promulgate regulations estab-
24 lishing a program to supplement or replace the emis-
25 sion allowance allocations required under subsection

1 (d) for any industry category or subcategory that
2 the Administrator determines to be appropriately
3 benchmarked.

4 (g) INDIVIDUAL ALLOCATION TO NEW ENTRANT
5 MANUFACTURING FACILITIES.—

6 (1) IN GENERAL.—As part of the system estab-
7 lished under subsection (b), the Administrator shall,
8 for each calendar year, distribute 4 percent of the
9 total quantity of emission allowances available for al-
10 location to owners and operators of carbon-intensive
11 manufacturing facilities under section 541 to those
12 manufacturing facilities that are new entrant manu-
13 facturing facilities.

14 (2) INDIVIDUAL ALLOCATION.—Subject to para-
15 graph (3), the quantity of emission allowances dis-
16 tributed by the Administrator for a calendar year to
17 the owner or operator of a new entrant manufac-
18 turing facility shall equal the product obtained by
19 multiplying—

20 (A) the total quantity of emission allow-
21 ances available for allocation under paragraph
22 (1); and

23 (B) the proportion that—

24 (i) the estimated direct and indirect
25 carbon dioxide equivalent emissions of the

1 individual new entrant manufacturing fa-
2 cility during the preceding calendar year;
3 bears to

4 (ii) the sum of the estimated direct
5 and indirect carbon dioxide equivalent
6 emissions of all new entrant manufacturing
7 facilities during the preceding calendar
8 year.

9 (3) MAXIMUM ALLOCATION.—In no case may
10 the quantity of emission allowances allocated to a
11 new entrant manufacturing facility under this sub-
12 section exceed the quantity that would have been al-
13 located to the new entrant manufacturing facility if
14 the new entrant manufacturing facility had been a
15 currently operating facility during the preceding cal-
16 endar year.

17 (h) FACILITIES THAT SHUT DOWN.—

18 (1) IN GENERAL.—The system established pur-
19 suant to subsection (b) shall ensure, notwithstanding
20 any other provision of this subtitle, that—

21 (A) emission allowances are not distributed
22 to an owner or operator of any facility that has
23 been permanently shut down at the time of dis-
24 tribution;

1 (B) the owner or operator of any facility
2 that permanently shuts down in a calendar year
3 shall promptly return to the Administrator any
4 emission allowances that the Administrator has
5 distributed for that facility for any subsequent
6 calendar years; and

7 (C) if a facility receives a distribution of
8 emission allowances under this subtitle for a
9 calendar year and subsequently permanently
10 shuts down during that calendar year, the
11 owner or operator of the facility shall promptly
12 return to the Administrator a number of emis-
13 sion allowances equal to the number that the
14 Administrator determines is the portion that
15 the owner or operator will no longer need to
16 submit for that facility under section 202.

17 (2) EXEMPTION.—Subparagraphs (B) and (C)
18 of paragraph (1) shall not apply if an owner or oper-
19 ator of a facility demonstrates to the Administrator
20 that, not later than 2 years after the date on which
21 the facility shut down, the owner or operator will
22 open a comparable new facility, or increase the ca-
23 pacity of an existing facility by a comparable capaci-
24 ty, within the United States.

1 (i) PETROLEUM REFINERS.—The Administrator may
2 include, in the system established pursuant to subsection
3 (b), provisions for distributing not more than 10 percent
4 of the emission allowances allocated pursuant to section
5 541 for each calendar year solely among owners and oper-
6 ators of entities that manufacture in the United States
7 petroleum-based liquid or gaseous fuel, in recognition of
8 the direct emission of carbon dioxide by those entities in
9 the manufacture of those fuels.

10 **Subtitle F—Transition Assistance**
11 **for Fossil Fuel-Fired Electricity**
12 **Generators**

13 **SEC. 551. ALLOCATION.**

14 (a) IN GENERAL.—Not later than 330 days before
15 the beginning of each of calendar years 2012 through
16 2030, the Administrator shall allocate a percentage of the
17 quantity of emission allowances established pursuant to
18 section 201(a) for that calendar year for distribution
19 among owners and operators of fossil fuel-fired electricity
20 generators in the United States.

21 (b) QUANTITIES OF EMISSION ALLOWANCES ALLO-
22 CATED.—The quantities of emission allowances allocated
23 pursuant to subsection (a) shall be the quantities rep-
24 resented by the percentages in the following table:

Calendar year	Percentage for distribution among fossil fuel-fired electricity generators in United States
2012	18
2013	18
2014	18
2015	18
2016	17.75
2017	17.5
2018	17.25
2019	16.25
2020	15
2021	13.5
2022	11.25
2023	10.25
2024	9
2025	8.75
2026	5.75
2027	4.5
2028	4.25
2029	3
2030	2.75.

1 SEC. 552. DISTRIBUTION.

2 (a) REGULATIONS.—Not later than 2 years after the
3 date of enactment of this Act, the Administrator shall pro-
4 mulgate regulations establishing a system for distributing,
5 for each of calendar years 2012 through 2030, among
6 owners and operators of individual fossil fuel-fired elec-
7 tricity generators in the United States, the emission allow-
8 ances allocated for that year by section 551.

9 (b) CALCULATION.—The regulations promulgated
10 pursuant to subsection (a) shall provide that the quantity
11 of emission allowances distributed to the owner or oper-
12 ator of an individual fossil fuel-fired electricity generator
13 for a calendar year shall be equal to the product obtained
14 by multiplying—

1 (1) the quantity of emission allowances allo-
2 cated pursuant to section 551; and

3 (2) the quotient obtained by dividing—

4 (A) the average annual quantity of carbon
5 dioxide equivalents emitted by the fossil fuel-
6 fired electricity generator during the 3 calendar
7 years preceding the date of enactment of this
8 Act; by

9 (B) the average annual quantity of carbon
10 dioxide equivalents emitted by all fossil fuel-
11 fired electricity generators during those 3 cal-
12 endar years.

13 (c) RURAL ELECTRIC COOPERATIVES.—

14 (1) IN GENERAL.—The Administrator shall in-
15 clude, in the regulations promulgated pursuant to
16 subsection (a), provisions for distributing solely
17 among rural electric cooperatives not more than 5
18 percent of the emission allowances allocated pursu-
19 ant to section 551 for each calendar year.

20 (2) PILOT PROGRAM.—

21 (A) IN GENERAL.—In carrying out para-
22 graph (1), the Administrator shall establish a
23 pilot program to distribute, to rural electric co-
24 operatives in the States described in subpara-
25 graph (B), for each of calendar years 2012

1 through 2029, 15 percent of the total number
2 of emission allowances allocated for the cal-
3 endar year to rural electric cooperatives under
4 section 551.

5 (B) DESCRIPTION OF STATES.—The States
6 referred to in subparagraph (A) are—

7 (i) 1 State located east of the Mis-
8 sissippi River in which 13 rural electric co-
9 operatives sold to consumers in that State
10 electricity in a quantity of 9,000,000 to
11 10,000,000 megawatt-hours, according to
12 data of the Energy Information Adminis-
13 tration for calendar year 2005; and

14 (ii) 1 State located west of the Mis-
15 sissippi River in which 30 rural electric co-
16 operatives sold to consumers in that State
17 electricity in a quantity of 3,000,000 to
18 4,000,000 megawatt-hours, according to
19 data of the Energy Information Adminis-
20 tration for calendar year 2005.

21 (C) LIMITATION.—No rural electric coop-
22 erative that receives emission allowances under
23 this paragraph shall receive any additional
24 emission allowance under subtitle A or the reg-
25 ulations promulgated under subsection (a).

1 (D) REPORT.—Not later than January 1,
2 2015, and every 3 years thereafter, the Admin-
3 istrator shall submit to Congress a report de-
4 scribing the success of the pilot program estab-
5 lished under this paragraph, including a de-
6 scription of—

7 (i) the benefits realized by ratepayers
8 of the rural electric cooperatives that re-
9 ceive allowances under the pilot program;
10 and

11 (ii) the use by those rural electric co-
12 operatives of advanced, low greenhouse
13 gas-emitting electric generation tech-
14 nologies, if any.

15 **Subtitle G—Transition Assistance**
16 **for Refiners of Petroleum-Based**
17 **Fuel**

18 **SEC. 561. ALLOCATION.**

19 (a) FIRST PERIOD.—Not later than 330 days before
20 the beginning of each of calendar years 2012 through
21 2017, the Administrator shall allocate 2 percent of the
22 quantity of emission allowances established pursuant to
23 section 201(a) for that calendar year for distribution
24 among owners and operators of entities that manufacture

1 petroleum-based liquid or gaseous fuel in the United
2 States.

3 (b) SECOND PERIOD.—Not later than 330 days be-
4 fore the beginning of each of calendar years 2018 through
5 2030, the Administrator shall allocate 1 percent of the
6 emission allowances established pursuant to section 201(a)
7 for that calendar year for distribution among owners and
8 operators of entities described in subsection (a).

9 **SEC. 562. DISTRIBUTION.**

10 (a) REGULATIONS.—Not later than 2 years after the
11 date of enactment of this Act, the Administrator shall pro-
12 mulgate regulations establishing a system for distributing,
13 among owners and operators of individual entities de-
14 scribed in section 561, for each calendar year identified
15 in that section, the emission allowances allocated for that
16 year by that section.

17 (b) REQUIREMENTS.—The regulations promulgated
18 pursuant to subsection (a) shall—

19 (1) provide that the quantity of emission allow-
20 ances distributed to the owner or operator of an en-
21 tity described in section 561 for a calendar year
22 identified in that section shall be the product ob-
23 tained by multiplying—

24 (A) the quantity of emission allowances al-
25 located for that year by section 561; by

- 1 (B) the quotient obtained by dividing—
- 2 (i) the annual average quantity of
- 3 units of petroleum-based liquid or gaseous
- 4 fuel that the entity manufactured in the
- 5 United States during the 3 calendar years
- 6 preceding the date of distribution of emis-
- 7 sion allowances; by
- 8 (ii) the annual average quantity of pe-
- 9 troleum-based liquid or gaseous fuel that
- 10 all entities described in section 561 manu-
- 11 factured in the United States during the 3
- 12 calendar years preceding the date of dis-
- 13 tribution of emission allowances; and
- 14 (2) notwithstanding paragraph (1), provide for
- 15 appropriate adjustments to reflect the effects of sub-
- 16 sections (b)(2), (c), and (h) of section 202.

17 **Subtitle H—Transition Assistance**

18 **for Natural-Gas Processors**

19 **SEC. 571. ALLOCATION.**

20 Not later than 330 days before the beginning of each

21 of calendar years 2012 through 2030, the Administrator

22 shall allocate 0.75 percent of the quantity of emission al-

23 lowances established pursuant to section 201(a) for that

24 calendar year for distribution among owners and operators

25 of—

1 (1) natural gas processing plants in the United
2 States (other than in the State of Alaska);

3 (2) entities that produce natural gas in the
4 State of Alaska or the Federal waters of the outer
5 Continental Shelf off the coast of that State; and

6 (3) entities that hold title to natural gas, in-
7 cluding liquefied natural gas, or natural-gas liquid at
8 the time of importation into the United States.

9 **SEC. 572. DISTRIBUTION.**

10 (a) REGULATIONS.—Not later than 2 years after the
11 date of enactment of this Act, the Administrator shall pro-
12 mulgate regulations establishing a system for distributing,
13 among owners and operators of individual entities de-
14 scribed in section 571, for each calendar year identified
15 in that section, the emission allowances allocated for that
16 year by that section.

17 (b) REQUIREMENTS.—The regulations promulgated
18 pursuant to subsection (a) shall—

19 (1) provide that the quantity of emission allow-
20 ances distributed to the owner or operator of an en-
21 tity described in section 571 for a calendar year
22 identified in that section shall be the product ob-
23 tained by multiplying—

24 (A) the quantity of emission allowances al-
25 located for that year by section 571; by

- 1 (B) the quotient obtained by dividing—
- 2 (i) the annual average quantity, dur-
- 3 ing the 3 calendar years preceding the date
- 4 of distribution of emission allowances, of
- 5 units of—
- 6 (I) natural gas processed in the
- 7 United States by the entity (other
- 8 than in the State of Alaska);
- 9 (II) natural gas produced in the
- 10 State of Alaska or the Federal waters
- 11 of the outer Continental Shelf off the
- 12 coast of that State by the entity and
- 13 not reinjected into the field; and
- 14 (III) natural gas, including lique-
- 15 fied natural gas, and natural-gas liq-
- 16 uids to which the entity held title at
- 17 the time of importation into the
- 18 United States; by
- 19 (ii) the annual average quantity, over
- 20 the 3 calendar years preceding the date of
- 21 distribution of emission allowances, of
- 22 units of—
- 23 (I) natural gas processed in the
- 24 United States by the entities de-

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1 scribed in section 571 (other than in
2 the State of Alaska);

3 (II) natural gas produced in the
4 State of Alaska or the Federal waters
5 of the outer Continental Shelf off the
6 coast of that State by the entities de-
7 scribed in section 571 and not re-
8 injected into the field; and

9 (III) natural gas, including lique-
10 fied natural gas, and natural-gas liq-
11 uids to which the entities described in
12 section 571 held title at the time of
13 importation into the United States;
14 and

15 (2) notwithstanding paragraph (1), provide for
16 appropriate adjustments to reflect the effects of sub-
17 sections (b)(2) and (c) of section 202.

18 **Subtitle I—Federal Program for**
19 **Energy Consumers**

20 **SEC. 581. ESTABLISHMENT.**

21 There is established in the Treasury a fund, to be
22 known as the “Climate Change Consumer Assistance
23 Fund”.

1 **SEC. 582. AUCTION.**

2 (a) IN GENERAL.—In accordance with subsections
3 (b) and (c), to raise funds for deposit in the Climate
4 Change Consumer Assistance Fund, for each of calendar
5 years 2012 through 2050, the Administrator shall—

6 (1) auction a quantity of the emission allow-
7 ances established pursuant to section 201(a) for
8 each calendar year; and

9 (2) immediately upon receipt of the auction pro-
10 ceeds, deposit the auction proceeds in the Climate
11 Change Consumer Assistance Fund.

12 (b) NUMBER; FREQUENCY.—For each calendar year
13 during the period described in subsection (a), the Adminis-
14 trator shall—

15 (1) conduct not fewer than 4 auctions; and

16 (2) schedule the auctions in a manner to ensure
17 that—

18 (A) each auction takes place during the pe-
19 riod beginning 330 days before, and ending 60
20 days before, the beginning of each calendar
21 year; and

22 (B) the interval between each auction is of
23 equal duration.

24 (c) QUANTITIES OF EMISSION ALLOWANCES AUC-
25 TIONED.—For each calendar year of the period described
26 in subsection (a), the Administrator shall auction a quan-

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- 1 tity of emission allowances in accordance with the applica-
 2 ble percentages described in the following table:

Calendar Year	Percentage for auction for Climate Change Consumer Assistance Fund
2012	3.5
2013	3.75
2014	3.75
2015	4
2016	4.25
2017	4.5
2018	5
2019	6
2020	6
2021	6
2022	7
2023	7
2024	8
2025	8
2026	9
2027	10
2028	10
2029	11
2030	12
2031	14
2032	14
2033	14
2034	15
2035	15
2036	15
2037	15
2038	15
2039	15
2040	15
2041	15
2042	15
2043	15
2044	15
2045	15
2046	15
2047	15
2048	15
2049	15
2050	15.

3 **SEC. 583. DEPOSITS.**

- 4 The Administrator shall deposit all proceeds of auc-
 5 tions conducted pursuant to section 582, immediately on

1 receipt of those proceeds, in the Climate Change Con-
2 sumer Assistance Fund.

3 **SEC. 584. DISBURSEMENTS FROM THE CLIMATE CHANGE**
4 **CONSUMER ASSISTANCE FUND.**

5 No disbursements shall be made from the Climate
6 Change Consumer Assistance Fund except pursuant to an
7 appropriations Act.

8 **SEC. 585. SENSE OF SENATE ON TAX INITIATIVE TO PRO-**
9 **TECT CONSUMERS.**

10 It is the sense of the Senate that funds deposited in
11 the Climate Change Consumer Assistance Fund under sec-
12 tion 583 should be used to fund a tax initiative to protect
13 consumers, especially consumers in greatest need, from in-
14 creases in energy costs and other costs.

15 **TITLE VI—PARTNERSHIPS WITH**
16 **STATES, LOCALITIES, AND IN-**
17 **DIAN TRIBES**

18 **Subtitle A—Partnerships With**
19 **State Governments to Prevent**
20 **Economic Hardship While Pro-**
21 **moting Efficiency**

22 **SEC. 601. ASSISTING ENERGY CONSUMERS THROUGH**
23 **LOCAL DISTRIBUTION COMPANIES.**

24 (a) ALLOCATION.—

1 (1) FIRST PERIOD.—Not later than 330 days
2 before the beginning of calendar year 2012, the Ad-
3 ministrator shall allocate—

4 (A) 9.5 percent of the quantity of emission
5 allowances established pursuant to section
6 201(a) for that calendar year for distribution
7 among electricity local distribution companies in
8 the United States; and

9 (B) 3.25 percent of the quantity of emis-
10 sion allowances established pursuant to section
11 201(a) for that calendar year for distribution
12 among natural gas local distribution companies
13 in the United States.

14 (2) SECOND PERIOD.—Not later than 330 days
15 before the beginning of each of calendar years 2013
16 through 2025, the Administrator shall allocate—

17 (A) 9.75 percent of the quantity of emis-
18 sion allowances established pursuant to section
19 201(a) for that calendar year for distribution
20 among electricity local distribution companies in
21 the United States; and

22 (B) 3.25 percent of the quantity of emis-
23 sion allowances established pursuant to section
24 201(a) for that calendar year for distribution

1 among natural gas local distribution companies
2 in the United States.

3 (3) THIRD PERIOD.—Not later than 330 days
4 before the beginning of each of calendar years 2026
5 through 2050, the Administrator shall allocate—

6 (A) 10 percent of the quantity of emission
7 allowances established pursuant to section
8 201(a) for that calendar year for distribution
9 among electricity local distribution companies in
10 the United States; and

11 (B) 3.5 percent of the quantity of emission
12 allowances established pursuant to section
13 201(a) for that calendar year for distribution
14 among natural gas local distribution companies
15 in the United States.

16 (b) DISTRIBUTION.—

17 (1) IN GENERAL.—For each calendar year, the
18 emission allowances allocated under subsection (a)
19 shall be distributed by the Administrator to each
20 local distribution entity based on the proportion
21 that—

22 (A) the quantity of electricity or natural
23 gas delivered by the local distribution entity
24 during the 3 calendar years preceding the cal-
25 endar year for which the emission allowances

1 are distributed, adjusted upward for electricity
2 or natural gas not delivered as a result of con-
3 sumer energy-efficiency programs implemented
4 by the local distribution entity and verified by
5 the regulatory agency of the local distribution
6 entity; bears to

7 (B) the total quantity of electricity or nat-
8 ural gas delivered by all local distribution enti-
9 ties during those 3 calendar years, adjusted up-
10 ward for the total electricity or natural gas not
11 delivered as a result of consumer energy-effi-
12 ciency programs implemented by all local dis-
13 tribution entities and verified by the regulatory
14 agencies of the local distribution entities.

15 (2) BASIS.—The Administrator shall base the
16 determination of the quantity of electricity or nat-
17 ural gas delivered by a local distribution entity for
18 the purpose of paragraph (1) on the most recent
19 data available in annual reports filed with the En-
20 ergy Information Administration of the Department
21 of Energy.

22 (c) USE.—

23 (1) ELIGIBLE CONSUMER CLASSES.—

24 (A) REGULATION.—Not later than 1 year
25 after the date of enactment of this Act, the Ad-

1 administrator, in consultation with the Secretary
2 of Energy, shall establish, by regulation, the
3 consumer classes to which a local distribution
4 entity shall direct emission allowance proceeds,
5 including low-income and middle-income resi-
6 dential energy consumers and small business
7 commercial consumers that are not allocated
8 emission allowances pursuant to title V.

9 (B) REQUIREMENT.—The regulation re-
10 required under subparagraph (A) shall be promul-
11 gated in consultation with—

12 (i) the Secretary of Health and
13 Human Services;

14 (ii) the Secretary of Agriculture;

15 (iii) appropriate State agencies; and

16 (iv) local distribution entities, the reg-
17 ulatory agencies of the local distribution
18 entities, and consumer advocates.

19 (C) DEFINING LOW-INCOME CON-
20 SUMERS.—

21 (i) IN GENERAL.—Subject to clause
22 (ii), the Administrator shall specify eligi-
23 bility criteria for low-income residential en-
24 ergy consumers for purposes of the regula-
25 tion required under subparagraph (A).

1 (ii) INCLUSIONS.—An individual shall
2 be eligible as a low-income residential en-
3 ergy consumer for purposes of the regula-
4 tion required under subparagraph (A) if
5 the individual (or the household of which
6 the individual is a member) qualifies for—

7 (I) benefits under the food stamp
8 program established under the Food
9 Stamp Act of 1977 (7 U.S.C. 2011 et
10 seq.);

11 (II) a premium or cost-sharing
12 subsidy under section 1860D–14 of
13 the Social Security Act (42 U.S.C.
14 1395w–114); or

15 (III) a low-income program car-
16 ried out before December 31, 2011,
17 by an electricity or natural gas local
18 distribution entity serving the indi-
19 vidual.

20 (2) CLIMATE CHANGE IMPACT ASSISTANCE PRO-
21 GRAMS.—

22 (A) IN GENERAL.—Each local distribution
23 entity that receives emission allowances under
24 subsection (b) shall develop a climate change

1 impact economic assistance program in accord-
2 ance with this paragraph.

3 (B) REGULATIONS.—

4 (i) IN GENERAL.—Not later than 1
5 year after the date of enactment of this
6 Act, the Administrator shall promulgate
7 regulations establishing minimum require-
8 ments for the development of climate
9 change impact economic assistance pro-
10 grams under subparagraph (A).

11 (ii) DEADLINE.—The regulations pro-
12 mulgated pursuant to clause (i) shall re-
13 quire each local distribution entity that re-
14 ceives emission allowances under this sec-
15 tion to implement a climate change impact
16 economic assistance program by not later
17 than December 31, 2011, that—

18 (I) mitigates increases in elec-
19 tricity or natural gas costs, as appli-
20 cable, that are attributable to the im-
21 plementation of this Act;

22 (II) provides to qualifying low-in-
23 come individuals and households a
24 timely rebate on electricity or natural
25 gas bills, as applicable;

1 (III) provides greater rebates to
2 consumers in the lowest income class-
3 es;

4 (IV) includes energy efficiency
5 and other programmatic measures de-
6 signed to reduce the quantity of elec-
7 tricity or natural gas, as applicable,
8 consumed by qualifying low-income
9 households; and

10 (V) includes economic assistance,
11 energy efficiency, and other pro-
12 grammatic measures designed to re-
13 duce the quantity of energy consumed
14 by other residential, small business,
15 and commercial energy consumers
16 that do not receive allowances under
17 this Act.

18 (C) DEVELOPMENT.—

19 (i) IN GENERAL.—A local distribution
20 entity may develop an assistance program
21 under this paragraph—

22 (I) in consultation with appro-
23 priate State regulatory authorities; or

24 (II) for the purpose of
25 supplementing an existing low-income

1 consumer assistance plan of the enti-
2 ty.

3 (ii) LISTS OF ELIGIBLE CON-
4 SUMERS.—In developing a list of con-
5 sumers eligible to receive assistance pursu-
6 ant to a climate change impact economic
7 assistance program under this paragraph,
8 a local distribution entity—

9 (I) may use any list maintained
10 by a State or local agency of eligible
11 recipients of existing public assistance
12 programs; and

13 (II) shall strictly maintain the
14 privacy of the eligible recipients.

15 (D) APPROVAL.—

16 (i) IN GENERAL.—A local distribution
17 entity shall submit the proposed assistance
18 program of the entity to the Administrator
19 for approval.

20 (ii) APPROVAL OF EXISTING PRO-
21 GRAMS.—On request of a local distribution
22 entity, the Administrator may approve an
23 existing, State-approved low-income con-
24 sumer assistance plan of the entity as a
25 climate change impact economic assistance

1 program for purposes of this paragraph, if
2 the Administrator determines that the plan
3 meets the requirements of this paragraph.

4 (E) IMPLEMENTATION.—On approval of
5 an assistance program by the Administrator
6 under subparagraph (D)(i), a local distribution
7 entity may implement the program, subject to
8 the oversight of appropriate State authorities.

9 (d) SALE OF EMISSION ALLOWANCES.—

10 (1) IN GENERAL.—A local distribution entity
11 that receives emission allowances under subsection
12 (b) shall—

13 (A) sell each emission allowance distrib-
14 uted to the local distribution entity, through di-
15 rect sale or pursuant to a contract with a third
16 party to sell the allowance, by not later than
17 the date that is 1 year after the date of receipt
18 of the emission allowance; and

19 (B) seek fair market value for each emis-
20 sion allowance sold.

21 (2) PROCEEDS.—

22 (A) IN GENERAL.—Subject to subpara-
23 graph (B), the proceeds from the sale of emis-
24 sion allowances under paragraph (1) shall be
25 used solely—

1 (i) to mitigate economic impacts on
2 the consumer classes established pursuant
3 to subsection (c)(1)(A), including by reduc-
4 ing transmission or distribution charges or
5 issuing rebates;

6 (ii) to promote the use of zero- and
7 low-carbon distributed generation tech-
8 nologies and energy efficiency on the part
9 of consumers; and

10 (iii) to implement demand response
11 programs and targeted assistance pro-
12 grams to benefit the consumer classes es-
13 tablished pursuant to subsection (c)(1)(A).

14 (B) MINIMUM PERCENTAGE REQUIRE-
15 MENT.—

16 (i) IN GENERAL.—Except as provided
17 in clause (ii), each local distribution entity
18 shall use not less than 30 percent of the
19 proceeds from the sale of emission allow-
20 ances under paragraph (1) to benefit low-
21 income residential energy consumers.

22 (ii) EXCEPTION.—Notwithstanding
23 clause (i), a regulatory agency with author-
24 ity over a local distribution entity (includ-
25 ing a governing board of a municipally

1 owned or cooperatively owned local dis-
2 tribution entity) may reduce the percent-
3 age requirement under clause (i) if the
4 agency determines that the increase in
5 electricity or natural gas costs, as applica-
6 ble, of eligible low-income consumers
7 served by the local distribution entity re-
8 sulting from the implementation of this
9 Act are mitigated.

10 (C) PROHIBITION.—No local distribution
11 entity may use any proceeds from the sale of
12 emission allowances under paragraph (1) to
13 provide to any consumer a rebate that is based
14 solely on the quantity of electricity or natural
15 gas used by the consumer.

16 (D) TREATMENT.—Proceeds from the sale
17 of an emission allowance under this paragraph
18 shall not be considered to be income of a local
19 distribution entity if the value of the proceeds
20 is fully disbursed during the 1-year period be-
21 ginning on the date of sale of the emission al-
22 lowance.

23 (e) REPORTS.—

24 (1) IN GENERAL.—For each calendar year for
25 which a local distribution entity receives emission al-

1 allowances under this section, the entity shall submit
2 to the Administrator a report describing, with re-
3 spect to that calendar year—

4 (A) the date of each sale of each emission
5 allowance;

6 (B) the amount of revenue generated from
7 the sale of emission allowances; and

8 (C) how, and to what extent, the local dis-
9 tribution entity used the proceeds of the sale of
10 emission allowances, including the amount of
11 the proceeds directed to each consumer class
12 covered in the form of rebates, energy effi-
13 ciency, demand response, and distributed gen-
14 eration.

15 (2) AVAILABILITY OF REPORTS.—The Adminis-
16 trator shall make available to the public all reports
17 submitted by entities under paragraph (1), including
18 by publishing those reports on the Internet.

19 (f) OPT-OUT.—If a local distribution entity elects not
20 to receive emission allowances under this section or fails
21 to comply with a requirement of this section, as deter-
22 mined by the Administrator, the emission allowances that
23 would otherwise be distributed to the local distribution en-
24 tity shall be—

1 (1) provided to the State served by the local
2 distribution entity; and

3 (2) used by the State to carry out the objectives
4 of this section.

5 **SEC. 602. ASSISTING STATE ECONOMIES THAT RELY HEAV-**
6 **ILY ON MANUFACTURING AND COAL.**

7 (a) ALLOCATION.—

8 (1) IN GENERAL.—Not later than 330 days be-
9 fore the beginning of each of calendar years 2012
10 through 2050, of the quantity of emission allowances
11 established pursuant to section 201(a) for the appli-
12 cable calendar year, the Administrator shall allocate
13 a percentage for distribution among States the
14 economies of which rely heavily on manufacturing or
15 on coal, as determined by the Administrator, in ac-
16 cordance with the table contained in paragraph (2).

17 (2) PERCENTAGES FOR ALLOCATION.—For
18 each of calendar years 2012 through 2050, the Ad-
19 ministrator shall allocate to States described in
20 paragraph (1) the percentage of emission allowances
21 specified in the following table:

Calendar year	Percent of emission allowances for allocation among States relying heavily on manufacturing and on coal
2012	3
2013	3
2014	3
2015	3
2016	3.25
2017	3.25

Calendar year	Percent of emission allowances for allocation among States relying heavily on manufacturing and on coal
2018	3.25
2019	3.25
2020	3.25
2021	3.25
2022	3.25
2023	3.5
2024	3.5
2025	3.5
2026	3.5
2027	3.5
2028	3.5
2029	3.5
2030	3.5
2031	4
2032	4
2033	4
2034	4
2035	4
2036	4
2037	4
2038	4
2039	4
2040	4
2041	4
2042	4
2043	4
2044	4
2045	4
2046	4
2047	4
2048	4
2049	4
2050	4.

1 (b) DISTRIBUTION.—The emission allowances avail-
2 able for allocation to States under subsection (a) for a cal-
3 endar year shall be distributed as follows:

4 (1) For each calendar year, $\frac{1}{2}$ of the quantity
5 of emission allowances shall be distributed among
6 the States based on the proportion that—

7 (A) the average annual per-capita employ-
8 ment in manufacturing in a State during the

1 period beginning on January 1, 1988, and end-
2 ing on December 31, 1992, as determined by
3 the Secretary of Labor; bears to

4 (B) the average annual per-capita employ-
5 ment in manufacturing in all States during the
6 period beginning on January 1, 1988, and end-
7 ing on December 31, 1992, as determined by
8 the Secretary of Labor.

9 (2) For each calendar year, $\frac{1}{2}$ of the quantity
10 of emission allowances available for States under
11 subsection (a) shall be distributed among individual
12 States as follows:

13 (A) In the case of any State in which the
14 ratio of lignite (in British thermal units) that
15 was mined from 1988 through 1992 within the
16 boundaries of the State to the total quantity of
17 coal (in British thermal units) that was con-
18 sumed from 1988 through 1992 within the
19 boundaries of that State exceeds 0.75, the share
20 of allowances of the State shall be based on the
21 proportion that—

22 (i) twice the quantity of carbon con-
23 tained in the total quantity of coal that
24 was mined within the boundaries of the

1 State from 1988 through 1992, as deter-
2 mined by the Secretary of Energy; bears to
3 (ii) the sum of twice the quantity of
4 carbon contained in the total quantity of
5 coal that was mined from 1988 through
6 1992 within the boundaries of all States
7 described in subparagraph (A) and the
8 quantity of carbon contained in the total
9 quantity of coal that was mined from 1988
10 through 1992 within the boundaries of all
11 other States, as determined by the Sec-
12 retary of Energy.

13 (B) In the case of any State other than a
14 State described in subparagraph (A), the share
15 of allowances of the State shall be based on the
16 proportion that—

17 (i) the quantity of carbon contained in
18 the total quantity of coal that was mined
19 within the boundaries of the State from
20 1988 through 1992, as determined by the
21 Secretary of Energy; bears to

22 (ii) the sum of twice the quantity of
23 carbon contained in the total quantity of
24 coal that was mined from 1988 through
25 1992 in all States described in subpara-

1 graph (A) and the quantity of carbon con-
2 tained in the total quantity of coal that
3 was mined from 1988 through 1992 within
4 the boundaries of all other States, as de-
5 termined by the Secretary of Energy.

6 (c) USE.—During any calendar year, a State shall
7 retire or use for 1 or more of the purposes described in
8 section 614(d) all of the allowances allocated to the State
9 (or proceeds of sale of those emission allowances) under
10 this section for that calendar year.

11 (d) DEADLINE FOR USE.—A State shall distribute or
12 sell emission allowances for use in accordance with sub-
13 section (c) by not later than January 1 of each emission
14 allowance allocation year.

15 (e) RETURN OF ALLOWANCES.—Not later than 330
16 days before the end of each emission allowance allocation
17 year, each State shall return to the Administrator any
18 emission allowances allocated to the State for the pre-
19 ceding calendar year but not distributed or sold by the
20 deadline described in subsection (d).

21 (f) REPORT.—A State receiving allowances under this
22 section shall annually submit to the appropriate congres-
23 sional committees and the appropriate Federal agencies
24 a report describing the purposes for which the State has
25 used—

- 1 (1) the allowances received under this section;
2 and
3 (2) the proceeds of the sale by the State of al-
4 lowances received under this section.

5 **Subtitle B—Partnerships With**
6 **States, Localities, and Indian**
7 **Tribes to Reduce Emissions**

8 **SEC. 611. MASS TRANSIT.**

9 (a) TRANSPORTATION SECTOR EMISSION REDUC-
10 TION FUND.—There is established in the Treasury of the
11 United States a fund, to be known as the “Transportation
12 Sector Emission Reduction Fund”.

13 (b) AUCTION OF ALLOWANCES.—In accordance with
14 subsections (c) and (d), to fund awards for public trans-
15 portation-related activities, for each of calendar years
16 2012 through 2050, the Administrator shall auction a
17 quantity of the emission allowances established pursuant
18 to section 201(a) for each calendar year.

19 (c) NUMBER; FREQUENCY.—For each calendar year
20 during the period described in subsection (b), the Adminis-
21 trator shall—

- 22 (1) conduct not fewer than 4 auctions; and
23 (2) schedule the auctions in a manner to ensure
24 that—

1 (A) each auction takes place during the pe-
 2 riod beginning 330 days before, and ending 60
 3 days before, the beginning of each calendar
 4 year; and

5 (B) the interval between each auction is of
 6 equal duration.

7 (d) QUANTITIES OF EMISSION ALLOWANCES AUC-
 8 TIONED.—For each calendar year of the period described
 9 in subsection (b), the Administrator shall auction a quan-
 10 tity of emission allowances in accordance with the applica-
 11 ble percentages described in the following table:

Calendar Year	Percentage for auction for public transportation
2012	1
2013	1
2014	1
2015	1
2016	1
2017	1
2018	2
2019	2
2020	2
2021	2
2022	2.75
2023	2.75
2024	2.75
2025	2.75
2026	2.75
2027	2.75
2028	2.75
2029	2.75
2030	2.75
2031	2.75
2032	2.75
2033	2.75
2034	2.75
2035	2.75
2036	2.75
2037	2.75
2038	2.75
2039	2.75

Calendar Year	Percentage for auction for public transportation
2040	2.75
2041	2.75
2042	2.75
2043	2.75
2044	2.75
2045	2.75
2046	2.75
2047	2.75
2048	2.75
2049	2.75
2050	2.75.

1 (e) DEPOSITS.—The Administrator shall deposit all
2 proceeds of auctions conducted pursuant to subsections
3 (b) and (c), immediately on receipt of those proceeds, in
4 the Transportation Sector Emission Reduction Fund es-
5 tablished by subsection (a).

6 (f) USE OF FUNDS.—For each of calendar years
7 2012 through 2050, all funds deposited in the Transpor-
8 tation Sector Emission Reduction Fund in the preceding
9 year pursuant to subsection (e) shall be made available,
10 without further appropriation or fiscal year limitation, for
11 grants described in subsections (g) through (i).

12 (g) GRANTS TO PROVIDE FOR ADDITIONAL AND IM-
13 PROVED PUBLIC TRANSPORTATION SERVICE.—

14 (1) IN GENERAL.—Of the funds deposited in
15 the Transportation Sector Emission Reduction Fund
16 each year pursuant to subsection (e), 65 percent
17 shall be distributed to designated recipients (as de-
18 fined in section 5307(a) of title 49, United States
19 Code) to maintain or improve public transportation

1 through activities eligible under that section, includ-
2 ing—

3 (A) improvements to lighting, heating,
4 cooling, or ventilation systems in stations and
5 other facilities that reduce direct or indirect
6 greenhouse gas emissions;

7 (B) adjustments to signal timing or other
8 vehicle controlling systems that reduce direct or
9 indirect greenhouse gas emissions;

10 (C) purchasing or retrofitting rolling stock
11 to improve efficiency or reduce greenhouse gas
12 emissions; and

13 (D) improvements to energy distribution
14 systems.

15 (2) DISTRIBUTION.—Of the proceeds of auc-
16 tions conducted under this section, the Adminis-
17 trator shall distribute under paragraph (1)—

18 (A) 60 percent in accordance with the for-
19 mulas contained in subsections (a) through (c)
20 of section 5336 of title 49, United States Code;
21 and

22 (B) 40 percent in accordance with the for-
23 mula contained in section 5340 of that title.

24 (3) TERMS AND CONDITIONS.—A grant pro-
25 vided under this subsection shall be subject to the

1 terms and conditions applicable to a grant provided
2 under section 5307 of title 49, United States Code.

3 (4) COST SHARE.—The Federal share of cost of
4 carrying out an activity using a grant under this
5 subsection shall be determined in accordance with
6 section 5307(e) of title 49, United States Code.

7 (h) GRANTS FOR CONSTRUCTION OF NEW PUBLIC
8 TRANSPORTATION PROJECTS.—

9 (1) IN GENERAL.—Of the funds deposited in
10 the Transportation Sector Emission Reduction Fund
11 each year pursuant to subsection (e), 30 percent
12 shall be distributed to State and local government
13 authorities for design, engineering, and construction
14 of new fixed guideway transit projects or extensions
15 to existing fixed guideway transit systems.

16 (2) APPLICATIONS.—Applications for grants
17 under this subsection shall be reviewed according to
18 the process and criteria established under section
19 5309(e) of title 49, United States Code, for major
20 capital investments and section 5309(d) of title 49,
21 United States Code for other projects.

22 (3) TERMS AND CONDITIONS.—Grant funds
23 awarded under this subsection shall be subject to the
24 terms and conditions applicable to a grant made
25 under section 5309 of title 49, United States Code.

1 (i) GRANTS FOR TRANSPORTATION ALTERNATIVES
2 AND TRAVEL DEMAND REDUCTION PROJECTS.—

3 (1) IN GENERAL.—Of the funds deposited into
4 the Transportation Sector Emission Reduction Fund
5 each year pursuant to subsection (e), 5 percent shall
6 be awarded to designated recipients (as defined in
7 section 5307(a) of title 49, United States Code) to
8 assist in reducing the direct and indirect greenhouse
9 gas emissions of the systems of the designated re-
10 cipients, through—

11 (A) programs to reduce vehicle miles trav-
12 eled;

13 (B) bicycle and pedestrian infrastructure,
14 including trail networks integrated with trans-
15 portation plans or bicycle mode-share targets;
16 and

17 (C) programs to establish or expand tele-
18 commuting or car pool projects that do not in-
19 clude new roadway capacity.

20 (2) DISTRIBUTION OF FUNDS.—In determining
21 the recipients of grants under this subsection, appli-
22 cations shall be evaluated based on the total direct
23 and indirect greenhouse gas emissions reductions
24 that are projected to result from the project and

1 projected reductions as a percentage of the total di-
2 rect and indirect emissions of an entity.

3 (3) GOVERNMENT SHARE OF COSTS.—The Fed-
4 eral share of the cost of an activity funded using
5 amounts made available under this subsection may
6 not exceed 80 percent of the cost of the activity.

7 (4) TERMS AND CONDITIONS.—Except to the
8 extent inconsistent with the terms of this subsection,
9 grant funds awarded under this subsection shall be
10 subject to the terms and conditions applicable to a
11 grant made under section 5307 of title 49, United
12 States Code.

13 (j) CONDITION FOR RECEIPT OF FUNDS.—To be eli-
14 gible to receive funds under this section, projects or activi-
15 ties must be part of an integrated State-wide transpor-
16 tation plan that shall—

17 (1) include all modes of surface transportation;

18 (2) integrate transportation data collection,
19 monitoring, planning, and modeling;

20 (3) report on estimated greenhouse gas emis-
21 sions;

22 (4) be designed to reduce greenhouse gas emis-
23 sions from the transportation sector; and

24 (5) be certified by the Administrator as con-
25 sistent with the purposes of this Act.

1 **SEC. 612. UPDATING STATE BUILDING ENERGY EFFICIENCY**
2 **CODES.**

3 (a) IN GENERAL.—Section 304 of the Energy Con-
4 servation and Production Act (42 U.S.C. 6833) is amend-
5 ed to read as follows:

6 **“SEC. 304. UPDATING STATE BUILDING ENERGY EFFI-**
7 **CIENCY CODES.**

8 “(a) UPDATES.—

9 “(1) IN GENERAL.—Not later than 3 years
10 after the date of enactment of the Lieberman-War-
11 ner Climate Security Act of 2008, and not less fre-
12 quently every 3 years thereafter, the Secretary shall
13 support updating the national model building energy
14 codes and standards to achieve overall energy sav-
15 ings, as compared to the IECC (2006) for residen-
16 tial buildings and ASHRAE Standard 90.1 (2004)
17 for commercial buildings, of at least—

18 “(A) 30 percent, with respect to each edi-
19 tion of a model code or standard published dur-
20 ing the period beginning on January 1, 2010,
21 and ending on December 31, 2019;

22 “(B) 50 percent, with respect to each edi-
23 tion of a model code or standard published on
24 or after January 1, 2020; and

25 “(C) targets for intermediate and subse-
26 quent years, to be established by the Secretary

1 not less than 3 years before the beginning on
2 each target year, in coordination with IECC
3 and ASHRAE Standard 90.1 cycles, at the
4 maximum level of energy efficiency that is tech-
5 nologically feasible and lifecycle cost-effective.

6 “(2) REVISIONS TO IECC AND ASHRAE.—

7 “(A) IN GENERAL.—If the IECC or
8 ASHRAE Standard 90.1 regarding building en-
9 ergy use is revised, not later than 1 year after
10 the date of the revision, the Secretary shall de-
11 termine whether the revision will—

12 “(i) improve energy efficiency in
13 buildings; and

14 “(ii) meet the energy savings goals de-
15 scribed in paragraph (1).

16 “(B) MODIFICATIONS.—

17 “(i) IN GENERAL.—If the Secretary
18 makes a determination under subpara-
19 graph (A)(ii) that a code or standard does
20 not meet the energy savings goals estab-
21 lished under paragraph (1) or if a national
22 model code or standard is not updated for
23 more than 3 years, not later than 1 year
24 after the determination or the expiration of
25 the 3-year period, the Secretary shall es-

1 tabish a modified code or standard that
2 meets the energy savings goals.

3 “(ii) REQUIREMENTS.—

4 “(I) ENERGY SAVINGS.—A modi-
5 fication to a code or standard under
6 clause (i) shall—

7 “(aa) achieve the maximum
8 level of energy savings that is
9 technically feasible and lifecycle
10 cost-effective;

11 “(bb) be achieved through
12 an amendment or supplement to
13 the most recent revision of the
14 IECC or ASHRAE Standard
15 90.1 and taking into consider-
16 ation other appropriate model
17 codes and standards; and

18 “(cc) incorporate available
19 appliances, technologies, and con-
20 struction practices.

21 “(II) TREATMENT AS BASE-
22 LINE.—A modification to a code or
23 standard under clause (i) shall serve
24 as the baseline for the next applicable

1 determination of the Secretary under
2 subparagraph (A)(i).

3 “(C) PUBLIC PARTICIPATION.—The Sec-
4 retary shall—

5 “(i) publish in the Federal Register a
6 notice relating to each goal, determination,
7 and modification under this paragraph;
8 and

9 “(ii) provide an opportunity for public
10 comment regarding the goals, determina-
11 tions, and modifications.

12 “(b) STATE CERTIFICATION OF BUILDING ENERGY
13 CODE UPDATES.—

14 “(1) GENERAL CERTIFICATION.—

15 “(A) IN GENERAL.—Not later than 2 years
16 after the date of enactment of the Lieberman-
17 Warner Climate Security Act of 2008, each
18 State shall certify to the Secretary that the
19 State has reviewed and updated the provisions
20 of the residential and commercial building codes
21 of the State regarding energy efficiency.

22 “(B) ENERGY SAVINGS.—A certification
23 under subparagraph (A) shall include a dem-
24 onstration that the applicable provisions of the
25 State code meet or exceed, as applicable—

1 “(i)(I) the IECC (2006) for residen-
2 tial buildings; or

3 “(II) the ASHRAE Standard 90.1
4 (2004) for commercial buildings; or

5 “(ii) the quantity of energy savings
6 represented by the provisions referred to in
7 clause (i).

8 “(2) REVISION OF CODES AND STANDARDS.—

9 “(A) IN GENERAL.—If the Secretary
10 makes an affirmative determination under sub-
11 section (a)(2)(A)(i) or establishes a modified
12 code or standard under subsection (a)(2)(B),
13 not later than 2 years after the determination
14 or proposal, each State shall certify that the
15 State has reviewed and updated the provisions
16 of the residential and commercial building codes
17 of the State regarding energy efficiency.

18 “(B) ENERGY SAVINGS.—A certification
19 under subparagraph (A) shall include a dem-
20 onstration that the applicable provisions of the
21 State code meet or exceed—

22 “(i) the modified code or standard; or

23 “(ii) the quantity of energy savings
24 represented by the modified code or stand-
25 ard.

1 “(C) FAILURE TO DETERMINE.—If the
2 Secretary fails to make a determination under
3 subsection (a)(2)(A)(i) by the date specified in
4 subsection (a)(2), or if the Secretary makes a
5 negative determination, not later than 2 years
6 after the specified date or the date of the deter-
7 mination, each State shall certify that the State
8 has—

9 “(i) reviewed the revised code or
10 standard; and

11 “(ii) updated the provisions of the res-
12 idential and commercial building codes of
13 the State as necessary to meet or exceed,
14 as applicable—

15 “(I) any provisions of a national
16 code or standard determined to im-
17 prove energy efficiency in buildings; or

18 “(II) energy savings achieved by
19 those provisions through other means.

20 “(c) ACHIEVEMENT OF COMPLIANCE BY STATES.—

21 “(1) IN GENERAL.—Not later than 3 years
22 after the date on which a State makes a certification
23 under subsection (b), the State shall certify to the
24 Secretary that the State has achieved compliance

1 with the building energy code that is the subject of
2 the certification.

3 “(2) RATE OF COMPLIANCE.—The certification
4 shall include documentation of the rate of compli-
5 ance based on independent inspections of a random
6 sample of the new and renovated buildings covered
7 by the State code during the preceding calendar
8 year.

9 “(3) COMPLIANCE.—A State shall be considered
10 to achieve compliance for purposes of paragraph (1)
11 if—

12 “(A) at least 90 percent of new and ren-
13 ovated buildings covered by the State code dur-
14 ing the preceding calendar year substantially
15 meet all the requirements of the code; or

16 “(B) the estimated excess energy use of
17 new and renovated buildings that did not meet
18 the requirements of the State code during the
19 preceding calendar year, as compared to a base-
20 line of comparable buildings that meet the re-
21 quirements of the code, is not more than 10
22 percent of the estimated energy use of all new
23 and renovated buildings covered by the State
24 code during the preceding calendar year.

25 “(d) FAILURE TO CERTIFY.—

1 “(1) EXTENSION OF DEADLINES.—The Sec-
2 retary shall extend a deadline for certification by a
3 State under subsection (b) or (c) for not more than
4 1 additional year, if the State demonstrates to the
5 satisfaction of the Secretary that the State has
6 made—

7 “(A) a good faith effort to comply with the
8 certification requirement; and

9 “(B) significant progress with respect to
10 the compliance.

11 “(2) NONCOMPLIANCE BY STATE.—

12 “(A) IN GENERAL.—A State that fails to
13 submit a certification required under subsection
14 (b) or (c), and to which an extension is not pro-
15 vided under paragraph (1), shall be considered
16 to be out of compliance with this section.

17 “(B) EFFECT ON LOCAL GOVERNMENTS.—
18 A local government of a State that is out of
19 compliance with this section may be considered
20 to be in compliance with this section if the local
21 government meets each applicable certification
22 requirement of this section.

23 “(e) TECHNICAL ASSISTANCE.—

24 “(1) IN GENERAL.—The Secretary shall provide
25 technical assistance (including building energy anal-

1 ysis and design tools, building demonstrations, and
2 design assistance and training) to ensure that na-
3 tional model building energy codes and standards
4 meet the goals described in subsection (a)(1).

5 “(2) ASSISTANCE TO STATES.—The Secretary
6 shall provide technical assistance to States—

7 “(A) to implement this section, including
8 procedures for States to demonstrate that the
9 codes of the States achieve equivalent or great-
10 er energy savings than the national model codes
11 and standards;

12 “(B) to improve and implement State resi-
13 dential and commercial building energy effi-
14 ciency codes; and

15 “(C) to otherwise promote the design and
16 construction of energy-efficient buildings.

17 “(f) INCENTIVE FUNDING.—

18 “(1) IN GENERAL.—The Secretary shall provide
19 incentive funding to States—

20 “(A) to implement this section; and

21 “(B) to improve and implement State resi-
22 dential and commercial building energy effi-
23 ciency codes, including increasing and verifying
24 compliance with the codes.

1 “(ii) a commercial building energy ef-
2 ficiency code that meets or exceeds the re-
3 quirements of the ASHRAE Standard 90.1
4 (2004) (or a successor standard that is the
5 subject of an affirmative determination by
6 the Secretary under subsection
7 (a)(2)(A)(i)); or

8 “(B) in the case of a State in which no
9 statewide energy code exists for residential
10 buildings or commercial buildings, or in which
11 the State code fails to comply with subpara-
12 graph (A), to a local government that has
13 adopted and is implementing residential and
14 commercial building energy efficiency codes, as
15 described in subparagraph (A).

16 “(4) TRAINING.—Of the amounts made avail-
17 able to carry out this subsection, the Secretary may
18 use not more than \$500,000 for each State to train
19 State and local officials to implement State or local
20 energy codes in accordance with a plan described in
21 paragraph (3).”.

22 (b) CONFORMING AMENDMENT.—Section 303 of the
23 Energy Conservation and Production Act (42 U.S.C.
24 6832) is amended by adding at the end the following:

1 “(17) IECC.—The term ‘IECC’ means the
2 International Energy Conservation Code.”.

3 **SEC. 613. ENERGY EFFICIENCY AND CONSERVATION BLOCK**
4 **GRANT PROGRAM.**

5 (a) IN GENERAL.—In accordance with subsection (b),
6 to fund the Energy Efficiency and Conservation Block
7 Grant Program under subtitle E of title V of the Energy
8 Independence and Security Act of 2007 (42 U.S.C. 17151
9 et seq.), for each of calendar years 2012 through 2050,
10 the Administrator shall—

11 (1) auction 2 percent of the emission allowances
12 established pursuant to section 201(a) for the cal-
13 endar year; and

14 (2) immediately on completion of an auction,
15 transfer the proceeds of the auction to the Secretary
16 of Energy for use in carrying out that block grant
17 program.

18 (b) NUMBER; FREQUENCY.—For each calendar year
19 during the period described in subsection (a), the Adminis-
20 trator shall—

21 (1) conduct not fewer than 4 auctions; and

22 (2) schedule the auctions in a manner to ensure
23 that—

24 (A) each auction takes place during the pe-
25 riod beginning 330 days before, and ending 60

1 days before, the beginning of each calendar
 2 year; and

3 (B) the interval between each auction is of
 4 equal duration.

5 **SEC. 614. STATE LEADERS IN REDUCING EMISSIONS.**

6 (a) ALLOCATION.—

7 (1) IN GENERAL.—Not later than 330 days be-
 8 fore the beginning of each of calendar years 2012
 9 through 2050, the Administrator shall allocate a
 10 percentage of the quantity of emission allowances es-
 11 tablished pursuant to section 201(a) for the applica-
 12 ble calendar year for distribution among States that,
 13 as determined by the Administrator, are leaders in
 14 the effort of the United States to reduce greenhouse
 15 gas emissions and improve energy efficiency, in ac-
 16 cordance with paragraph (2).

17 (2) PERCENTAGES FOR ALLOCATION.—For
 18 each of calendar years 2012 through 2050, the Ad-
 19 ministrator shall distribute in accordance with para-
 20 graph (1) the percentage of emission allowances
 21 specified in the following table:

Calendar Year	Percentage for State leaders in reducing greenhouse gas emissions and improving energy efficiency
2012	4
2013	4
2014	4
2015	4
2016	4.25
2017	4.25

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Calendar Year	Percentage for State leaders in reducing greenhouse gas emissions and improving energy efficiency
2018	4.55
2019	4.75
2020	5
2021	5
2022	6
2023	6.25
2024	6.5
2025	6.75
2026	7
2027	7.25
2028	7.5
2029	7.75
2030	8
2031	9
2032	10
2033	10
2034	10
2035	10
2036	10
2037	10
2038	10
2039	10
2040	10
2041	10
2042	10
2043	10
2044	10
2045	10
2046	10
2047	10
2048	10
2049	10
2050	10.

1 (b) REGULATIONS.—Not later than 2 years after the
2 date of enactment of this Act, the Administrator shall pro-
3 mulgate regulations establishing a system for annually
4 scoring historical State investments and achievements in
5 reducing greenhouse gas emissions and increasing energy
6 efficiency for purposes of subsection (a).

7 (c) DISTRIBUTION.—

1 (1) IN GENERAL.—The emission allowances
2 available for allocation to States under subsection
3 (a) shall be distributed among the States based on
4 the proportion that, for a calendar year—

5 (A) the score of the State, as determined
6 under subsection (b); bears to

7 (B) the scores of all States, as determined
8 under subsection (b).

9 (2) STATE CAP-AND-TRADE PROGRAMS.—Allow-
10 ances under this section for any calendar year shall
11 be distributed to—

12 (A) States that have never established
13 State or regional cap-and-trade programs for
14 greenhouse gas emissions; and

15 (B) States that did establish State or re-
16 gional cap-and-trade programs for greenhouse
17 gas emissions and that, not later than the be-
18 ginning of the applicable calendar year—

19 (i) chose to transition the programs
20 into the national system established by this
21 Act; and

22 (ii) completed the transition and dis-
23 continued the State or regional cap-and-
24 trade programs.

25 (d) USE.—

1 (1) IN GENERAL.—During any calendar year, a
2 State shall retire or use all emission allowances allo-
3 cated to the State (or proceeds of sale of those emis-
4 sion allowances) under this section for that calendar
5 year for 1 or more of the following purposes:

6 (A) To mitigate impacts on low-income en-
7 ergy consumers.

8 (B) To promote energy efficiency (includ-
9 ing support of electricity and natural gas de-
10 mand reduction, waste minimization, and recy-
11 cling programs).

12 (C) To promote investment in nonemitting
13 electricity generation technology, including
14 planning for the siting of facilities employing
15 that technology in States (including in terri-
16 torial waters of States).

17 (D) To improve public transportation and
18 passenger rail service and otherwise promote re-
19 ductions in vehicle miles traveled.

20 (E) To encourage advances in energy tech-
21 nology that reduce or sequester greenhouse gas
22 emissions.

23 (F) To address local or regional impacts of
24 climate change, including by accommodating,

1 protecting, or relocating affected communities
2 and public infrastructure.

3 (G) To collect, evaluate, disseminate, and
4 use information necessary for affected coastal
5 communities to adapt to climate change (such
6 as information derived from inundation pre-
7 diction systems).

8 (H) To mitigate obstacles to investment by
9 new entrants in electricity generation markets
10 and energy-intensive manufacturing sectors.

11 (I) To address local or regional impacts of
12 climate change policy, including providing as-
13 sistance to displaced workers.

14 (J) To engage local and municipal govern-
15 ments to provide capacity building and related
16 technical assistance to local and municipal low-
17 carbon green job creation and workforce devel-
18 opment programs.

19 (K) To mitigate impacts on carbon-inten-
20 sive industries in internationally competitive
21 markets.

22 (L) To reduce hazardous fuels and prevent
23 and suppress wildland fire.

1 (M) To fund rural, municipal, and agricul-
2 tural water projects that are consistent with the
3 sustainable use of water resources.

4 (N) To improve recycling infrastructure.

5 (O) To increase public education on the
6 benefits of recycling, particularly with respect
7 to greenhouse gases.

8 (P) To improve residential, commercial,
9 and industrial collection of recyclables.

10 (Q) To improve recycling system efficiency.

11 (R) To increase recycling yields.

12 (S) To improve the quality and usefulness
13 of recycled materials.

14 (T) To promote industry cluster or indus-
15 try sector strategies that involve public-private
16 partnerships of State and local economic and
17 workforce development agencies, leaders from
18 renewable energy, efficiency and low-carbon in-
19 dustries, and other community-based stake-
20 holders, in the development of regional strate-
21 gies to maximize the creation of good, career-
22 track jobs.

23 (U) To develop and implement plans to an-
24 ticipate and reduce the potential threats to

1 health resulting from climate change, includ-
2 ing—

3 (i) development, improvement, and in-
4 tegration of disease surveillance systems,
5 rapid response systems, and communica-
6 tion methods and materials; and

7 (ii) identification and prioritization of
8 vulnerable communities and populations.

9 (V) To fund any other purpose the States
10 determine to be necessary to mitigate any nega-
11 tive economic impacts as a result of—

12 (i) global warming; or

13 (ii) new regulatory requirements as a
14 result of this Act.

15 (e) DEADLINE FOR USE.—A State shall distribute or
16 sell emission allowances for use in accordance with sub-
17 section (c) by not later than January 1 of each emission
18 allowance allocation year.

19 (f) RETURN OF ALLOWANCES.—Not later than 330
20 days before the end of each emission allowance allocation
21 year, each State shall return to the Administrator any
22 emission allowances allocated to the State for the pre-
23 ceding calendar year but not distributed or sold by the
24 deadline described in subsection (e).

1 (g) RECYCLING.—During any calendar year, a State
2 shall use not less than 5 percent of the quantity of emis-
3 sion allowances allocated to the State (or proceeds of sale
4 of those emission allowances) under this section for in-
5 creasing recycling rates through activities such as—

6 (1) improving recycling infrastructure;

7 (2) increasing public education on the benefits
8 of recycling, particularly with respect to greenhouse
9 gases;

10 (3) improving residential, commercial, and in-
11 dustrial collection of recyclables;

12 (4) increasing recycling efficiency;

13 (5) increasing recycling yields; and

14 (6) improving the quality and usefulness of re-
15 cycled materials.

16 (h) HOME HEATING OIL.—During any calendar year,
17 any State that ranks among the top 20 States in terms
18 of annual usage of home heating oil, as determined by the
19 Secretary of Energy, shall use not less than 5 percent of
20 the quantity of emission allowances allocated to the State
21 (or proceeds of the sale of those allowances) under this
22 section for protecting consumers of home heating oil in
23 the State from suffering hardship as a result of any in-
24 creases in home heating oil prices.

1 (i) REPORT.—A State receiving allowances under this
2 section shall annually submit to the appropriate congres-
3 sional committees and the appropriate Federal agencies
4 a report describing the purposes for which the State has
5 used—

6 (1) the allowances received under this section;
7 and

8 (2) the proceeds of the sale by the State of al-
9 lowances received under this section.

10 **Subtitle C—Partnerships With**
11 **States and Indian Tribes to**
12 **Adapt to Climate Change**

13 **SEC. 621. ALLOCATION.**

14 (a) IN GENERAL.—Not later than 330 days before
15 the beginning of each of calendar years 2012 through
16 2050, the Administrator shall allocate a percentage of the
17 quantity of emission allowances established pursuant to
18 section 201(a) for the applicable calendar year for dis-
19 tribution among States and Indian tribes for activities car-
20 ried out in response to the impacts of global climate
21 change, in accordance with subsection (b).

22 (b) PERCENTAGES FOR ALLOCATION.—For each of
23 calendar years 2012 through 2050, the Administrator
24 shall distribute in accordance with subsection (a) the per-

250

1 centage of emission allowances specified in the following
 2 table:

Calendar Year	Percentage for States and Indian tribes for adaptation activities
2012	3
2013	3
2014	3
2015	3
2016	3.25
2017	3.25
2018	3.25
2019	3.25
2020	3.25
2021	3.25
2022	3.25
2023	3.25
2024	3.25
2025	3.25
2026	3.5
2027	3.5
2028	3.5
2029	3.5
2030	3.5
2031	4
2032	4
2033	4
2034	4
2035	4
2036	4
2037	4
2038	4
2039	4
2040	4
2041	4
2042	4
2043	4
2044	4
2045	4
2046	4
2047	4
2048	4
2049	4
2050	4.

3 **SEC. 622. COASTAL IMPACTS.**

4 (a) DEFINITIONS.—In this section:

5 (1) COASTAL STATE.—

1 (A) IN GENERAL.—The term “Coastal
2 State” means any State that borders on 1 or
3 more of the Atlantic Ocean, the Gulf of Mexico,
4 the Pacific Ocean, the Arctic Ocean, or a Great
5 Lake.

6 (B) INCLUSIONS.—The term “Coastal
7 State” includes—

8 (i) the Commonwealth of Puerto Rico;

9 (ii) Guam;

10 (iii) American Samoa;

11 (iv) the Commonwealth of the North-
12 ern Mariana Islands; and

13 (v) the United States Virgin Islands.

14 (C) EXCLUSION.—The term “Coastal
15 State” does not include the State of Alaska.

16 (2) COASTAL WATERSHED.—The term “coastal
17 watershed” means a geographical area drained into
18 or contributing water to an estuarine area, an ocean,
19 or a Great Lake, all or a portion of which is within
20 the coastal zone (as defined in section 304 of the
21 Coastal Zone Management Act of 1972 (16 U.S.C.
22 1453)).

23 (3) GREAT LAKE.—The term “Great Lake”
24 means—

25 (A) Lake Erie;

1 (B) Lake Huron (including Lake Saint
2 Clair);

3 (C) Lake Michigan;

4 (D) Lake Ontario;

5 (E) Lake Superior; and

6 (F) the connecting channels of those
7 Lakes, including—

8 (i) the Saint Marys River;

9 (ii) the Saint Clair River;

10 (iii) the Detroit River;

11 (iv) the Niagara River; and

12 (v) the Saint Lawrence River to the
13 Canadian border.

14 (4) SHORELINE MILES.—The term “shoreline
15 miles”, with respect to a Coastal State, means the
16 mileage of tidal shoreline or Great Lake shoreline of
17 the Coastal State, based on the most recently avail-
18 able data from or accepted by the National Ocean
19 Service of the National Oceanic and Atmospheric
20 Administration.

21 (b) ALLOCATION.—Of the emission allowances allo-
22 cated each year pursuant to section 621, the Adminis-
23 trator shall allocate 40 percent to Coastal States.

1 (c) DISTRIBUTION.—The emission allowances avail-
2 able for allocation under subsection (b) for a calendar year
3 shall be distributed among Coastal States, as follows:

4 (1) 50 percent based on the proportion that—

5 (A) the number of shoreline miles of a
6 Coastal State; bears to

7 (B) the total number of shoreline miles of
8 all Coastal States.

9 (2) 30 percent based on the proportion that—

10 (A) the population of a Coastal State;
11 bears to

12 (B) the total population of all Coastal
13 States.

14 (3) 20 percent divided equally among all Coast-
15 al States.

16 (d) USE OF EMISSION ALLOWANCES OR PRO-
17 CEEDS.—

18 (1) IN GENERAL.—During any calendar year, a
19 Coastal State receiving emission allowances under
20 this section shall use the emission allowances (or
21 proceeds of sale of those emission allowances) only
22 for projects and activities to plan for and address
23 the impacts of climate change in the coastal water-
24 shed.

- 1 (iii) inventories of shoreline features
- 2 and conditions;
- 3 (iv) acquisition of high-resolution to-
- 4 pography and bathymetry;
- 5 (v) sea level rise inundation models;
- 6 (vi) storm surge sea level rise linked
- 7 inundation models;
- 8 (vii) shoreline change modeling based
- 9 on sea level rise projections;
- 10 (viii) sea level rise vulnerability anal-
- 11 yses and socioeconomic studies; and
- 12 (ix) environmental and habitat
- 13 changes associated with sea level rise; and
- 14 (D) to respond to—
- 15 (i) changes in chemical characteristics
- 16 (including ocean acidification) and physical
- 17 characteristics (including thermal strati-
- 18 fication) of marine systems;
- 19 (ii) saltwater intrusion into ground-
- 20 water aquifers;
- 21 (iii) increased harmful algae blooms;
- 22 (iv) spread of invasive species;
- 23 (v) habitat loss (particularly loss of
- 24 coastal wetland);
- 25 (vi) species migrations; and

1 (vii) marine, estuarine, and freshwater
2 ecosystem changes associated with climate
3 change.

4 (3) COORDINATION.—In carrying out this sub-
5 section, a Coastal State shall coordinate with the
6 Administrator and the heads of other appropriate
7 Federal agencies to ensure, to the maximum extent
8 practicable, an efficient and effective use of emission
9 allowances (or proceeds of sale of those emission al-
10 lowances) allocated under this section.

11 (4) TECHNICAL ASSISTANCE AND TRAINING.—
12 The Administrator and the heads of such other Fed-
13 eral agencies as are appropriate, including the Na-
14 tional Oceanic and Atmospheric Administration, En-
15 vironmental Protection Agency, United States Geo-
16 logical Survey, Department of the Interior, Corps of
17 Engineers, and Department of Transportation, shall
18 provide technical assistance and training for State
19 and local officials to assist Coastal States in car-
20 rying out this subsection.

21 (5) INSTITUTIONS OF HIGHER EDUCATION PAR-
22 TICIPATION.—If appropriate, institutions of higher
23 education should use the expertise and research ca-
24 pacity of the institutions to carry out the goals of
25 this subsection, specifically with regard to con-

1 ducting the research and planning necessary to re-
2 spond to the impacts on coastal areas from climate
3 change.

4 (e) RETURN OF UNUSED EMISSION ALLOWANCES.—

5 Any Coastal State receiving emission allowances under
6 this section shall return to the Administrator any such
7 emission allowances that the Coastal State has failed to
8 use in accordance with subsection (d) by not later than
9 5 years after the date of receipt of the emission allowances
10 from the Administrator.

11 (f) USE OF RETURNED EMISSION ALLOWANCES.—

12 The Administrator shall, in accordance with subsection
13 (c), distribute any emission allowances returned to the Ad-
14 ministrator under subsection (e) to States other than the
15 State that returned those allowances to the Administrator.

16 (g) REPORT.—A State receiving allowances under

17 this section shall annually submit to the appropriate con-
18 gressional committees and the appropriate Federal agen-
19 cies a report describing the purposes for which the State
20 has used—

21 (1) the allowances received under this section;

22 and

23 (2) the proceeds of the sale by the State of al-

24 lowances received under this section.

1 **SEC. 623. IMPACTS ON WATER RESOURCES AND AGRICULTURE.**
2

3 (a) IN GENERAL.—Of the emission allowances allo-
4 cated each year pursuant to section 621, the Adminis-
5 trator shall allocate 25 percent to the States facing the
6 earliest and most severe impacts on the availability of
7 freshwater and on agriculture, as determined by the Ad-
8 ministrator.

9 (b) USE.—

10 (1) IN GENERAL.—For each calendar year, a
11 State receiving emission allowances under this sec-
12 tion shall use the allowances, or the proceeds from
13 the sale of the allowances, only for projects and ac-
14 tivities to plan for and address the impacts of cli-
15 mate change on water resources.

16 (2) REGIONALLY-SPECIFIC ANALYSIS.—In de-
17 veloping State programs under paragraph (1), a
18 State shall develop a regionally-specific analysis of
19 the potential climate-change impacts on local water
20 resources.

21 (3) IMPLEMENTATION PRIORITIES.—Implemen-
22 tation priorities shall be developed through an inte-
23 grated analysis of a full range of water management
24 alternatives (including urban and agricultural con-
25 servation, habitat and watershed protection and res-
26 toration, wastewater recycling, groundwater cleanup,

1 nonstructural alternatives, floodplain restoration,
2 and urban stormwater management) to direct fund-
3 ing to the most cost-effective strategies that will
4 generate significant net environmental benefits.

5 (4) SPECIFIC USES.—Projects and activities
6 under this subsection shall include projects and ac-
7 tivities—

8 (A) to promote investment in research into
9 the impacts of climate change on water resource
10 planning;

11 (B) to promote water resource planning;

12 (C) to develop and implement sustainable
13 strategies for adapting to climate change; and

14 (D) to implement measures to reduce the
15 greenhouse gas emissions of water utilities.

16 (c) REPORT.—A State receiving allowances under
17 this section shall annually submit to the appropriate con-
18 gressional committees and the appropriate Federal agen-
19 cies a report describing the purposes for which the State
20 has used—

21 (1) the allowances received under this section;

22 and

23 (2) the proceeds of the sale by the State of al-
24 lowances received under this section.

1 **SEC. 624. IMPACTS ON ALASKA.**

2 (a) ALLOCATION.—Of the allowances allocated for
3 each year pursuant to section 621, the Administrator shall
4 allocate 20 percent of the allowances to the State of Alas-
5 ka for the uses described in subsection (b).

6 (b) USE.—

7 (1) IN GENERAL.—For each calendar year,
8 emission allowances distributed to the State of Alas-
9 ka under this section, or the proceeds from the sale
10 of the allowances, shall be used only for projects and
11 activities to plan for and address the impacts of cli-
12 mate change on the State and State residents.

13 (2) STATE-SPECIFIC ANALYSIS.—In order to re-
14 ceive allowances under this section, the State of
15 Alaska shall develop a State-specific analysis of the
16 potential climate-change impacts on residents of the
17 State.

18 (3) IMPLEMENTATION PRIORITIES.—Implemen-
19 tation priorities shall be developed through an inte-
20 grated analysis of impacts and strategies.

21 (c) REPORT.—The State of Alaska shall annually
22 submit to the appropriate congressional committees and
23 the appropriate Federal agencies a report describing the
24 purposes for which the State has used—

25 (1) the allowances received under this section;
26 and

1 (2) the proceeds of the sale by the State of al-
2 lowances received under this section.

3 **SEC. 625. IMPACTS ON INDIAN TRIBES.**

4 (a) PURPOSES.—The purposes of this section are—

5 (1) to demonstrate the commitment of the
6 United States to maintaining the unique and con-
7 tinuing relationship of the United States with, and
8 responsibility of the United States to, Indian tribes;

9 (2) to recognize the obligation of the United
10 States to prepare for the likely disproportionate con-
11 sequences of global climate change facing Indian
12 tribes located throughout the United States;

13 (3) to establish, in accordance with the prin-
14 ciples of self-determination and government-to-gov-
15 ernment consultation, cost-efficient mechanisms to
16 provide for meaningful participation by Indian tribes
17 in the planning, implementation, and administration
18 of programs and services authorized by this Act;

19 (4) to support and assist Indian tribes in the
20 development of strong and stable tribal governments
21 that are capable of administering innovative pro-
22 grams and economic development initiatives in the
23 face of global climate change;

24 (5) to establish a self-sustaining Tribal Climate
25 Change Assistance Fund to address local and re-

1 regional impacts of climate change affecting Indian
2 tribes, now and in the future;

3 (6) to ensure that any proceeds from the sale
4 of emission allowances allocated for Indian tribes are
5 soundly invested and distributed by the Adminis-
6 trator through direct consultation with Indian tribes
7 as beneficiaries; and

8 (7) to authorize the Administrator to distribute,
9 by regulation, funds to Indian tribes in accordance
10 with the principles established by the Indian Self-
11 Determination and Education Assistance Act (25
12 U.S.C. 450 et seq.), in consultation with the Sec-
13 retary of the Interior and Indian tribes, not later
14 than 5 years after the date of enactment of this Act.

15 (b) ESTABLISHMENT OF PROGRAM.—

16 (1) IN GENERAL.—Not later than 2 years after
17 the date of enactment of this Act, the Administrator
18 shall establish a program—

19 (A) to assist Indian tribes in addressing
20 local and regional impacts of climate change in
21 accordance with subsection (a); and

22 (B) to distribute proceeds from the Tribal
23 Climate Change Assistance Fund established by
24 subsection (c) on an annual basis, beginning
25 not later than January 1, 2011.

1 (2) REGULATIONS.—The Administrator shall
2 promulgate such regulations as are necessary to es-
3 tablish and carry out the program described in para-
4 graph (1)—

5 (A) in accordance with subchapter IV of
6 chapter 5 of title 5, United States Code; and

7 (B) in consultation with representatives of
8 Indian tribes located in each region of the Envi-
9 ronmental Protection Agency.

10 (c) FUND.—There is established in the Treasury of
11 the United States a fund, to be known as the “Tribal Cli-
12 mate Change Assistance Fund”.

13 (d) AUCTIONS.—

14 (1) IN GENERAL.—In accordance with para-
15 graph (2), to raise funds for deposit in the Tribal
16 Climate Change Assistance Fund, for each of cal-
17 endar years 2012 through 2050, the Administrator
18 shall—

19 (A) auction 15 percent of the emission al-
20 lowances allocated pursuant to section 621 for
21 the calendar year; and

22 (B) immediately on completion of the auc-
23 tion, deposit proceeds of the auction in the
24 Tribal Climate Change Assistance Fund.

1 (2) NUMBER; FREQUENCY.—For each calendar
2 year during the period described in paragraph (1),
3 the Administrator shall—

4 (A) conduct not fewer than 4 auctions; and

5 (B) schedule the auctions in a manner to
6 ensure that—

7 (i) each auction takes place during the
8 period beginning 330 days before, and end-
9 ing 60 days before, the beginning of each
10 calendar year; and

11 (ii) the interval between each auction
12 is of equal duration.

13 (e) USE OF FUNDS.—

14 (1) IN GENERAL.—Amounts deposited in the
15 Tribal Climate Change Assistance Fund under sub-
16 section (d)(1)(B) that are in excess of amounts ap-
17 propriated for the applicable fiscal year to carry out
18 the Indian Environmental General Assistance Pro-
19 gram Act of 1992 (42 U.S.C. 4368b) and sections
20 103 and 360(d) of the Clean Air Act (42 U.S.C.
21 7403, 7601(d)) shall be made available, without fur-
22 ther appropriation or fiscal year limitation, to the
23 Administrator to carry out the program established
24 under subsection (b) in accordance with the pur-
25 poses described in paragraph (2).

1 (2) PURPOSES.—The Administrator shall use
2 amounts in the Tribal Climate Change Assistance
3 Fund—

4 (A) to provide assistance to Indian tribes
5 that face disruption or dislocation as a result of
6 climate change;

7 (B) to assist Indian tribes in planning and
8 designing agricultural, forestry, and other land
9 use-related projects in accordance with the In-
10 dian Environmental General Assistance Pro-
11 gram Act of 1992 (42 U.S.C. 4368b);

12 (C) to assist Indian tribes in the collection
13 of greenhouse gas and other air quality data
14 through the Indian Environmental General As-
15 sistance Program Act of 1992 (42 U.S.C.
16 4368b) and the Clean Air Act (42 U.S.C. 7401
17 et seq.);

18 (D) to mitigate impacts on low-income In-
19 dian energy consumers;

20 (E) to promote energy efficiency (including
21 support of electricity and natural gas demand
22 reduction, waste minimization, and recycling
23 programs);

24 (F) to promote investment in nonemitting
25 electricity generation technology, including

1 planning for the siting of facilities employing
2 that technology on tribal land;

3 (G) to collect, evaluate, disseminate, and
4 use information necessary for affected coastal
5 tribal communities to adapt to climate change
6 (such as information derived from inundation
7 prediction systems);

8 (H) to address local or regional impacts of
9 climate change policy, including providing as-
10 sistance to displaced workers;

11 (I) to reduce hazardous fuels and prevent
12 and suppress wildland fire;

13 (J) to fund rural, municipal, and agricul-
14 tural water projects that are consistent with the
15 sustainable use of water resources; and

16 (K) to fund any other purposes an Indian
17 tribe determines to be necessary to mitigate any
18 negative economic impacts as a result of—

19 (i) global warming; or

20 (ii) new regulatory requirements as a
21 result of this Act.

22 (f) NO TRIBAL AUTHORITY REQUIREMENT.—The
23 Administrator shall not require Indian tribes to obtain
24 tribal authority under section 360(d) of the Clean Air Act

1 (42 U.S.C. 7601(d)) as a condition of participation in any
2 program authorized by this subtitle.

3 (g) REPORT.—An Indian tribe receiving allowances
4 under this section shall annually submit to the appropriate
5 congressional committees and the appropriate Federal
6 agencies a report describing the purposes for which the
7 Indian tribe has used—

8 (1) the allowances received under this section;
9 and

10 (2) the proceeds of the sale by the Indian tribe
11 of allowances received under this section

12 **Subtitle D—Partnerships With**
13 **States, Localities, and Indian**
14 **Tribes to Protect Natural Re-**
15 **sources**

16 **SEC. 631. STATE WILDLIFE ADAPTATION FUND.**

17 (a) ESTABLISHMENT.—There is established in the
18 Treasury of the United States a fund, to be known as the
19 “State Wildlife Adaptation Fund” (referred to in this sec-
20 tion as the “Fund”).

21 (b) AUCTIONS.—

22 (1) IN GENERAL.—In accordance with para-
23 graph (2) and subsection (c), for each of calendar
24 years 2012 through 2050, the Administrator shall
25 auction a percentage of emission allowances estab-

1 lished for the calendar year pursuant to section
2 201(a) to raise funds for deposit in the Fund.

3 (2) NUMBER; FREQUENCY.—For each calendar
4 year during the period described in paragraph (1),
5 the Administrator shall—

6 (A) conduct not fewer than 4 auctions; and

7 (B) schedule the auctions in a manner to
8 ensure that—

9 (i) each auction takes place during the
10 period beginning 330 days before, and end-
11 ing 60 days before, the beginning of each
12 calendar year; and

13 (ii) the interval between each auction
14 is of equal duration.

15 (c) QUANTITIES OF EMISSION ALLOWANCES AUC-
16 TIONED.—For each calendar year of the period described
17 in subsection (b)(1), the Administrator shall auction a
18 quantity of emission allowances in accordance with the ap-
19 plicable percentages described in the following table:

Calendar year	Percentage for auction for Fund
2012	2
2013	2
2014	2
2015	2
2016	2
2017	2
2018	2
2019	2
2020	2
2021	2
2022	2

Calendar year	Percentage for auction for Fund
2023	2
2024	3
2025	3
2026	3
2027	4
2028	4
2029	4
2030	4
2031	4
2032	4
2033	4
2034	4
2035	4
2036	4
2037	4
2038	4
2039	4
2040	4
2041	4
2042	4
2043	4
2044	4
2045	4
2046	4
2047	4
2048	4
2049	4
2050	4.

1 (d) PITTMAN-ROBERTSON WILDLIFE RESTORATION
2 PROGRAM.—

3 (1) DEPOSIT.—As soon as practicable after
4 conducting an auction under subsection (b), the Ad-
5 ministrator shall deposit 78 percent of the proceeds
6 of the auction in the Fund.

7 (2) USE OF PROCEEDS.—Amounts deposited in
8 the Fund under paragraph (1) shall be made avail-
9 able, without further appropriation or fiscal year
10 limitation, to the Secretary of the Interior for dis-
11 tribution to States through the Wildlife Conservation

1 and Restoration Account established under section
2 3(a)(2) of the Pittman-Robertson Wildlife Restora-
3 tion Act (16 U.S.C. 669b(a)(2)), to carry out adap-
4 tation activities in accordance with comprehensive
5 State adaptation strategies, as described in section
6 633.

7 (e) LAND AND WATER CONSERVATION.—

8 (1) DEPOSIT.—As soon as practicable after
9 conducting an auction under subsection (b), the Ad-
10 ministrator shall deposit 22 percent of the proceeds
11 of the auction in the Land and Water Conservation
12 Fund established under section 2 of the Land and
13 Water Conservation Fund Act of 1965 (16 U.S.C.
14 460l-5).

15 (2) USE.—Deposits to the Land and Water
16 Conservation Fund under paragraph (1) shall—

17 (A) be supplemental to amounts appro-
18 priated pursuant to section 3 of the Land and
19 Water Conservation Fund Act of 1965 (16
20 U.S.C. 460l-6), which shall remain available for
21 nonadaptation needs; and

22 (B) notwithstanding section 3 of the Land
23 and Water Conservation Fund Act of 1965 (16
24 U.S.C. 460l-6), be available without further ap-
25 propriation or fiscal year limitation.

1 (3) ALLOCATIONS.—Of the amounts deposited
2 in the Land and Water Conservation Fund under
3 paragraph (1)—

4 (A) $\frac{1}{6}$ shall be allocated to the Secretary
5 of the Interior and made available on a com-
6 petitive basis to carry out adaptation activities
7 through the acquisition of land and interests in
8 land under section 6 of the Land and Water
9 Conservation Fund Act of 1965 (16 U.S.C.
10 460l-8)—

11 (i) to States, in accordance with com-
12 prehensive wildlife conservation strategies,
13 and to Indian tribes;

14 (ii) notwithstanding section 5 of that
15 Act (16 U.S.C. 460l-7); and

16 (iii) in addition to grants provided
17 pursuant to—

18 (I) annual appropriations Acts;

19 (II) the Energy Policy Act of
20 2005 (42 U.S.C. 15801 et seq.); or

21 (III) any other authorization for
22 nonadaptation needs;

23 (B) $\frac{1}{3}$ shall be allocated to the Secretary
24 of the Interior to carry out adaptation activities
25 through the acquisition of land and interests in

1 land under section 7 of the Land and Water
2 Conservation Fund Act of 1965 (16 U.S.C.
3 460l-9);

4 (C) $\frac{1}{6}$ shall be allocated to the Secretary
5 of Agriculture and made available to the States
6 to carry out adaptation activities through the
7 acquisition of land and interests in land under
8 section 7 of the Forest Legacy Program under
9 the Cooperative Forestry Assistance Act of
10 1978 (16 U.S.C. 2103c); and

11 (D) $\frac{1}{3}$ shall be allocated to the Secretary
12 of Agriculture to carry out adaptation activities
13 through the acquisition of land and interests in
14 land under section 7 of the Land and Water
15 Conservation Fund Act of 1965 (16 U.S.C.
16 460l-9).

17 (4) EXPENDITURE OF FUNDS.—In allocating
18 funds under paragraph (2), the Secretary of the In-
19 terior and the Secretary of Agriculture shall take
20 into consideration factors including—

21 (A) the availability of non-Federal con-
22 tributions from State, local, or private sources;

23 (B) opportunities to protect wildlife cor-
24 ridors or otherwise to link or consolidate frag-
25 mented habitats;

1 (C) opportunities to reduce the risk of cat-
2 astrophic wildfires, extreme flooding, or other
3 climate-related events that are harmful to fish,
4 wildlife, and individuals;

5 (D) the potential for conservation of spe-
6 cies or habitat types at serious risk due to cli-
7 mate change, ocean acidification, and other
8 stressors; and

9 (E) the potential to provide enhanced ac-
10 cess to land and water for fishing, hunting, and
11 other public recreational uses.

12 **SEC. 632. COST-SHARING.**

13 Notwithstanding any other provision of law, a State
14 or Indian tribe that receives a grant under section 631
15 shall provide 10 percent of the costs of each activity car-
16 ried out using the grant.

17 **SEC. 633. STATE COMPREHENSIVE ADAPTATION STRATE-**
18 **GIES.**

19 (a) IN GENERAL.—Except as provided in subsection
20 (b), amounts made available to States pursuant to this
21 subtitle shall be used only for activities that are consistent
22 with a State strategy that has been approved by—

23 (1) the Secretary of the Interior; and

24 (2) for any State with a coastal zone (within
25 the meaning of the Coastal Zone Management Act

1 of 1972 (16 U.S.C. 1451 et seq.)), by the Secretary
2 of Commerce, subject to the condition that approval
3 by the Secretary of Commerce shall be required only
4 for those portions of the strategy relating to activi-
5 ties affecting the coastal zone.

6 (b) INITIAL RECEIPT OF FUNDS.—

7 (1) IN GENERAL.—Until the earlier of the date
8 that is 3 years after the date of enactment of this
9 Act or the date on which a State receives approval
10 for a State strategy, a State shall be eligible to re-
11 ceive funds under this subtitle for adaptation activi-
12 ties that are—

13 (A) consistent with the comprehensive
14 wildlife strategy of the State and, if appro-
15 priate, other fish, wildlife, and conservation
16 strategies; and

17 (B) in accordance with a workplan devel-
18 oped in coordination with—

19 (i) the Secretary of the Interior; and

20 (ii) for any State with a coastal zone

21 (within the meaning of the Coastal Zone
22 Management Act (16 U.S.C. 1451 et
23 seq.)), the Secretary of Commerce, subject
24 to the condition that coordination with the
25 Secretary of Commerce shall be required

1 only for those portions of the strategy re-
2 lating to activities affecting the coastal
3 zone.

4 (2) PENDING APPROVAL.—During the period
5 for which approval by the applicable Secretary of a
6 State strategy described in paragraph (1) is pend-
7 ing, the State may continue receiving funds under
8 this subtitle pursuant to the workplan described
9 paragraph (1)(B).

10 (c) REQUIREMENTS.—A State strategy shall—

11 (1) describe the impacts of climate change and
12 ocean acidification on the diversity and health of the
13 fish, wildlife, and plant populations, habitats, aquat-
14 ic and terrestrial ecosystems, and associated ecologi-
15 cal processes;

16 (2) describe and prioritize proposed conserva-
17 tion, protection, and restoration actions to assist
18 fish, wildlife, aquatic and terrestrial ecosystems, and
19 plant populations in adapting to those impacts;

20 (3) establish programs for monitoring the im-
21 pacts of climate change on fish, wildlife, and plant
22 populations, habitats, aquatic and terrestrial eco-
23 systems, and associated ecological processes;

24 (4) include strategies, specific conservation,
25 protection, and restoration actions, and a timeframe

1 for implementing conservation actions for fish, wild-
2 life, and plant populations, habitats, aquatic and ter-
3 restrial ecosystems, and associated ecological proc-
4 esses;

5 (5) establish methods for—

6 (A) assessing the effectiveness of conserva-
7 tion, protection, and restoration actions taken
8 to assist fish, wildlife, and plant populations,
9 habitats, aquatic and terrestrial ecosystems and
10 associated ecological processes in adapting to
11 those impacts; and

12 (B) updating those actions to respond ap-
13 propriately to new information or changing con-
14 ditions;

15 (6) be developed—

16 (A) with the participation of the State fish
17 and wildlife agency, the State agency respon-
18 sible for administration of Land and Water
19 Conservation Fund grants, the State Forest
20 Legacy Program coordinator, the State environ-
21 mental agency, and the State coastal agency;
22 and

23 (B) in coordination with the Secretary of
24 the Interior and, if applicable, the Secretary of
25 Commerce;

1 (7) provide for solicitation and consideration of
2 public and independent scientific input;

3 (8) include strategies that engage youth and
4 young adults (including youth and young adults
5 working in full-time or part-time youth service or
6 conservation corps programs) to provide the youth
7 and young adults with opportunities for meaningful
8 conservation and community service, and to encour-
9 age opportunities for employment in the private sec-
10 tor through partnerships with employers;

11 (9) take into consideration research and infor-
12 mation contained in, and coordinate with and inte-
13 grate the goals and measures identified in, as appro-
14 priate, other fish, wildlife, aquatic and terrestrial
15 ecosystems, and habitat conservation strategies, in-
16 cluding—

17 (A) the national fish habitat action plan;

18 (B) plans under the North American Wet-
19 lands Conservation Act (16 U.S.C. 4401 et
20 seq.);

21 (C) the Federal, State, and local partner-
22 ship known as “Partners in Flight”;

23 (D) federally approved coastal zone man-
24 agement plans under the Coastal Zone Manage-
25 ment Act of 1972 (16 U.S.C. 1451 et seq.);

1 (E) federally approved regional fishery
2 management plans and habitat conservation ac-
3 tivities under the Magnuson Fishery Conserva-
4 tion and Management Act (16 U.S.C. 1801 et
5 seq.);

6 (F) the national coral reef action plan;

7 (G) recovery plans for threatened species
8 and endangered species under section 4(f) of
9 the Endangered Species Act of 1973 (16 U.S.C.
10 1533(f));

11 (H) habitat conservation plans under sec-
12 tion 10 of that Act (16 U.S.C. 1539);

13 (I) other Federal and State plans for im-
14 periled species;

15 (J) the United States shorebird conserva-
16 tion plan;

17 (K) the North American waterbird con-
18 servation plan;

19 (L) federally approved watershed plans
20 under the Federal Water Pollution Control Act
21 (33 U.S.C. 1251 et seq.); and

22 (M) other State-based strategies that com-
23 prehensively implement adaptation activities to
24 remediate the effects of climate change and

1 ocean acidification on fish, wildlife, habitats,
2 and aquatic and terrestrial ecosystems; and

3 (10) be incorporated into a revision of the com-
4 prehensive wildlife conservation strategy of a
5 State—

6 (A) that has been submitted to the United
7 States Fish and Wildlife Service; and

8 (B)(i) that has been approved by the Serv-
9 ice; or

10 (ii) on which a decision on approval is
11 pending.

12 (d) UPDATING.—Each State strategy under this sec-
13 tion shall be updated not less frequently than once every
14 5 years.

15 **TITLE VII—RECOGNIZING EARLY** 16 **ACTION**

17 **SEC. 701. REGULATIONS.**

18 Not later than 2 years after the date of enactment
19 of this Act, the Administrator shall promulgate regula-
20 tions establishing a program, to be known as the “Early
21 Action Program”, for distributing emission allowances to
22 entities that emit greenhouse gas in the United States,
23 in recognition of verified greenhouse gas emission reduc-
24 tions that—

1 (1) occurred before the date of promulgation of
2 the regulations; and

3 (2) resulted from actions taken by the entities
4 after January 1, 1994, and before the date of enact-
5 ment of this Act.

6 **SEC. 702. ALLOCATION.**

7 Not later than 2 years after the date of enactment
8 of this Act, the Administrator shall allocate to the Early
9 Action Program established under section 701 quantities
10 of the emission allowances established for calendar years
11 2012 through 2025 pursuant to section 201(a), in accord-
12 ance with the following table:

Calendar year	Percentage for allocation to Early Action Program
2012	5
2013	5
2014	5
2015	4
2016	3
2017	3
2018	1
2019	1
2020	1
2021	1
2022	1
2023	1
2024	1
2025	1.

13 **SEC. 703. GENERAL DISTRIBUTION.**

14 Not later than 4 years after the date of enactment
15 of this Act, the Administrator shall complete distribution
16 to entities described in section 701 of all emission allow-

1 ances allocated to the Early Action Program under section
2 702.

3 **SEC. 704. DISTRIBUTION TO ENTITIES HOLDING STATE**
4 **EMISSION ALLOWANCES.**

5 (a) DEFINITION OF ELIGIBLE ENTITY.—In this sec-
6 tion, the term “eligible entity” means an entity that—

7 (1) is located in the United States; and

8 (2) as of December 31, 2011, holds emission al-
9 lowances issued—

10 (A) by the State of California; or

11 (B) for the Regional Greenhouse Gas Ini-
12 tiative.

13 (b) DISTRIBUTION.—Of the quantity of emission al-
14 lowances allocated for the Early Action Program under
15 section 702, each eligible entity shall receive emission al-
16 lowances sufficient to compensate the eligible entity for
17 the cost to the eligible entity of obtaining and holding the
18 emission allowances under subsection (a)(2).

19 **SEC. 705. DISTRIBUTION TO POWER PLANTS THAT REPOW-**
20 **ERED PURSUANT TO CONSENT DECREES.**

21 (a) DEFINITION OF ELIGIBLE FACILITY.—In this
22 section, the term “eligible facility” means an electricity
23 generating facility that—

24 (1) is located in the United States; and

1 (2) repowered from coal before January 1,
2 2005, pursuant to a consent decree.

3 (b) DISTRIBUTION.—Subject to subsection (c), of the
4 quantity of emission allowances allocated for the Early Ac-
5 tion Program under section 702, each owner or operator
6 of an eligible facility shall receive a quantity of emission
7 allowances equal to the sum of—

8 (1) the verified quantity of metric tons of car-
9 bon dioxide the emission of which by the eligible fa-
10 cility was avoided as a result of the repowering, dur-
11 ing the period beginning on the date on which the
12 repowering began and ending on the date of enact-
13 ment of this Act; and

14 (2) the aggregate quantity of emission allow-
15 ances that, as a result of the lower annual carbon
16 dioxide emissions resulting from the repowering, will
17 not be distributed to the owner or operator of the fa-
18 cility pursuant to subtitle F of title V.

19 (c) LIMITATION.—Notwithstanding subsection (b),
20 the total quantity of emission allowances distributed pur-
21 suant to this section shall not exceed 80,000,000.

22 **SEC. 706. DISTRIBUTION TO CARBON CAPTURE AND SE-**
23 **QUESTRATION PROJECTS.**

24 (a) DEFINITION OF ELIGIBLE PROJECT.—In this
25 section, the term “eligible project” means a carbon cap-

1 ture and sequestration project associated with an anthro-
2 pogenic source of carbon dioxide in the United States, the
3 performance of which is monitored by a network developed
4 by an international collaborative government and industry
5 research program.

6 (b) DISTRIBUTION.—The regulations established pur-
7 suant to section 701 shall provide for the distribution of
8 emission allowances to eligible projects.

9 (c) LIMITATION.—Notwithstanding subsection (b),
10 the total quantity of emission allowances distributed pur-
11 suant to this section shall not exceed 25,000,000.

12 **TITLE VIII—EFFICIENCY AND**
13 **RENEWABLE ENERGY**
14 **Subtitle A—Efficient Buildings**

15 **SEC. 801. ALLOCATION.**

16 Not later than 330 days before the beginning of each
17 of calendar years 2012 through 2050, the Administrator
18 shall allocate to the Climate Change Technology Board es-
19 tablished by section 431 0.75 percent of the emission al-
20 lowances established pursuant to section 201(a) for that
21 calendar year, for the purpose of conducting the Efficient
22 Buildings Allowance Program established pursuant to sec-
23 tion 802.

1 **SEC. 802. EFFICIENT BUILDINGS ALLOWANCE PROGRAM.**

2 (a) IN GENERAL.—The Climate Change Technology
3 Board shall establish and carry out a program, to be
4 known as the “Efficient Buildings Allowance Program,”
5 for distributing the emission allowances allocated pursuant
6 to section 801 among owners of buildings in the United
7 States as reward for constructing highly-efficient buildings
8 in the United States and for increasing the efficiency of
9 existing buildings in the United States.

10 (b) REQUIREMENTS.—Emission allowances shall be
11 distributed under this section to owners of buildings in
12 the United States based on the extent to which projects
13 relating to the buildings of the owners result in verifiable,
14 additional, and enforceable improvements in energy per-
15 formance—

16 (1) in new or renovated buildings that dem-
17 onstrate exemplary performance by achieving a min-
18 imum score of 75 on the benchmarking tool of the
19 Energy Star program established by section 324A of
20 the Energy Policy and Conservation Act (42 U.S.C.
21 6294a), or an equivalent score on an established en-
22 ergy performance benchmarking metric selected by
23 the Climate Change Technology Board; and

24 (2) in retrofitted existing buildings that dem-
25 onstrate substantial improvement in the score or rat-
26 ing on that benchmarking tool by a minimum of 30

1 points, or an equivalent improvement using an es-
2 tablished performance benchmarking metric selected
3 by the Climate Change Technology Board.

4 (c) PRIORITY.—In distributing the allowances, pri-
5 ority shall given to projects—

6 (1) completed by building owners with a proven
7 track record of building energy performance; or

8 (2) that result in measurable greenhouse gas
9 reduction benefits not encompassed within the
10 metrics of the Energy Star program described in
11 subsection (b)(1).

12 **Subtitle B—Efficient Equipment** 13 **and Appliances**

14 **SEC. 811. ALLOCATION.**

15 Not later than 330 days before the beginning of each
16 of calendar years 2012 through 2050, the Administrator
17 shall allocate to the Climate Change Technology Board es-
18 tablished by section 431 0.75 percent of the emission al-
19 lowances established pursuant to section 201(a) for that
20 calendar year, for the purpose of conducting the Super-
21 Efficient Equipment and Appliances Development Pro-
22 gram established pursuant to section 812.

1 **SEC. 812. SUPER-EFFICIENT EQUIPMENT AND APPLIANCES**
2 **DEPLOYMENT PROGRAM.**

3 (a) IN GENERAL.—The Climate Change Technology
4 Board shall establish and administer a program, to be
5 known as the “Super-Efficient Equipment and Appliances
6 Deployment Program”, to distribute the emission allow-
7 ances allocated pursuant to section 811 among retailers
8 and distributors in the United States as reward for in-
9 creasing the sales by the retailers and distributors of high-
10 efficiency building equipment, high-efficiency consumer
11 electronics, and high-efficiency household appliances
12 through marketing strategies such as consumer rebates,
13 with the goal of minimizing life-cycle costs for consumers
14 and maximizing public benefit.

15 (b) SIZE OF INDIVIDUAL REWARDS.—The size of
16 each reward for each product-type shall be determined by
17 the Climate Change Technology Board, in consultation
18 with the Administrator, the Secretary of Energy, State
19 and utility efficiency program administrators, and na-
20 tional laboratories.

21 (c) REPORTING.—Each retailer and distributor par-
22 ticipating in the program under this section shall be re-
23 quired to report to the Climate Change Technology Board,
24 on a confidential basis for program-design purposes—

25 (1) the number of products sold within each
26 product-type; and

1 (2) wholesale purchase-price data.

2 (d) COST-EFFECTIVENESS REQUIREMENT.—

3 (1) DEFINITIONS.—In this subsection:

4 (A) COST-EFFECTIVENESS.—The term
5 “cost-effectiveness” means a measure of aggregate
6 savings equal to the product obtained by
7 multiplying—

8 (i) the net number of highly-efficient
9 pieces of equipment, electronics, and appliances
10 sold by a retailer or distributor in a
11 calendar year; by

12 (ii) the savings during the projected
13 useful life, but not to exceed 10 years, of
14 the pieces of equipment, electronics, and
15 appliances, including the impact of any
16 documented measures to retire low-per-
17 forming devices at the time of purchase of
18 highly-efficient substitutes.

19 (B) SAVINGS.—The term “savings” means
20 megawatt-hours of electricity or million British
21 thermal units of other fuels saved by a product,
22 in comparison to projected energy consumption
23 based on the efficiency performance of displaced
24 new product sales.

1 (2) REQUIREMENT.—The Climate Change
2 Technology Board shall make cost-effectiveness a
3 top priority in distributing emission allowances pur-
4 suant to this section.

5 **Subtitle C—Efficient**
6 **Manufacturing**

7 **SEC. 821. ALLOCATION.**

8 Not later than 330 days before the beginning of each
9 of calendar years 2012 through 2050, the Administrator
10 shall allocate to the Climate Change Technology Board es-
11 tablished by section 431 0.75 percent of the emission al-
12 lowances established pursuant to section 201(a) for that
13 calendar year, for the purpose of conducting the Efficient
14 Manufacturing Program established pursuant to section
15 822.

16 **SEC. 822. EFFICIENT MANUFACTURING PROGRAM.**

17 (a) IN GENERAL.—The Climate Change Technology
18 Board shall establish and carry out a program, to be
19 known as the “Efficient Manufacturing Program,” to dis-
20 tribute the emission allowances allocated pursuant to sec-
21 tion 821 among owners and operators of manufacturing
22 facilities in the United States, as reward for achieving
23 high levels of efficiency in the operations of the owners
24 and operators.

1 (b) REQUIREMENTS.—The Efficient Manufacturing
2 Program established pursuant to subsection (a) shall pro-
3 vide that—

4 (1) the rewards of emission allowances under
5 the Program shall include rewards for use of recy-
6 cled material in manufacturing; and

7 (2) the Climate Change Technology Board shall
8 give priority in distributing emission allowances to
9 entities that—

10 (A) document the greatest use of domesti-
11 cally-sourced parts and components;

12 (B) return to productive service existing
13 idle manufacturing capacity;

14 (C) are located in States with the greatest
15 availability of unemployed manufacturing work-
16 ers;

17 (D) compensate workers, at a minimum, in
18 an amount that is equal to at least 100 percent
19 of the State average manufacturing wage, plus
20 health insurance benefits;

21 (E) demonstrate a high probability of com-
22 mercial success; and

23 (F) achieve other criteria, as the Climate
24 Change Technology Board determines to be ap-
25 propriate.

1 **Subtitle D—Renewable Energy**

2 **SEC. 831. ALLOCATION.**

3 (a) **FIRST PERIOD.**—Not later than 330 days before
4 the beginning of each of calendar years 2012 through
5 2030, the Administrator shall allocate to the Climate
6 Change Technology Board established by section 431 4
7 percent of the emission allowances established pursuant
8 to section 201(a) for that calendar year.

9 (b) **SECOND PERIOD.**—Not later than 330 days be-
10 fore the beginning of each of calendar years 2031 through
11 2050, the Administrator shall allocate to the Climate
12 Change Technology Board established by section 431 1
13 percent of the emission allowances established pursuant
14 to section 201(a) for that calendar year.

15 **SEC. 832. BONUS ALLOWANCES FOR RENEWABLE ENERGY.**

16 (a) **DEFINITION OF RENEWABLE-ENERGY**
17 **SOURCE.**—In this section, the term “renewable-energy
18 source” means energy from 1 or more of the following
19 sources:

- 20 (1) Solar energy.
- 21 (2) Wind.
- 22 (3) Geothermal energy.
- 23 (4) Incremental hydropower.
- 24 (5) Biomass.
- 25 (6) Ocean waves.

1 (7) Landfill gas.

2 (8) Livestock methane.

3 (9) Fuel cells powered with a renewable-energy
4 source.

5 (b) BONUS ALLOWANCES.—The Climate Change
6 Technology Board shall distribute the emission allowances
7 allocated pursuant to section 831 among owners, opera-
8 tors, and developers of facilities, including distributed-en-
9 ergy and transmission systems, in the United States that
10 harness a renewable-energy source, as reward for the
11 start-up, expansion, and operation of the facilities.

12 (c) ADMINISTRATION.—In distributing emission al-
13 lowances pursuant to this section, the Climate Change
14 Technology Board shall provide appropriate rewards for
15 regulated investor-owned utilities, municipal utilities, elec-
16 tric cooperatives, and independent power producers.

17 (d) LIMITATION.—A project may not receive a dis-
18 tribution of emission allowances under this section if the
19 project—

20 (1) receives an award under subtitle A of title
21 IX; or

22 (2) is supported under subtitle A or subtitle C
23 of title III.

24 (e) REQUIREMENTS.—

1 (1) IN GENERAL.—A reward of allowances for
2 construction, alteration, or repair under this subtitle
3 shall be conditioned on a written assurance of pay-
4 ment, to all laborers and mechanics employed by
5 contractors or subcontractors for that work, of
6 wages at rates not less than those prevailing on the
7 same types of work in the locality, as determined by
8 the Secretary of Labor in accordance with sections
9 3141 through 3144, 3146, and 3147 of title 40,
10 United States Code.

11 (2) AUTHORITY OF SECRETARY OF LABOR.—
12 With respect to the labor standards described in
13 paragraph (1), the Secretary of Labor shall have the
14 authority and functions established in Reorganiza-
15 tion Plan Number 14 of 1950 (5 U.S.C. App.) and
16 section 3145 of title 40, United States Code.

17 **TITLE IX—LOW-CARBON ELEC-**
18 **TRICITY AND ADVANCED RE-**
19 **SEARCH**

20 **Subtitle A—Low- and Zero-Carbon**
21 **Electricity Technology**

22 **SEC. 901. DEFINITIONS.**

23 In this subtitle:

1 (1) ENGINEERING INTEGRATION COSTS.—The
2 term “engineering integration costs” includes the
3 costs of engineering tasks relating to—

4 (A) redesigning manufacturing processes
5 to begin producing qualifying components and
6 zero- or low-carbon generation technologies;

7 (B) designing new tooling and equipment
8 for production facilities that produce qualifying
9 components and zero- or low-carbon generation
10 technologies; and

11 (C) establishing or expanding manufac-
12 turing operations for qualifying components and
13 zero- or low-carbon generation technologies.

14 (2) QUALIFYING COMPONENT.—The term
15 “qualifying component” means a component that the
16 Secretary of Energy determines to be specially de-
17 signed for zero- or low-carbon generation technology.

18 (3) SAVINGS.—The term “savings” means
19 megawatt-hours of electricity or million British ther-
20 mal units of natural gas saved by a product, in com-
21 parison to projected energy consumption under an
22 efficiency standard applicable to the product.

23 (4) ZERO- OR LOW-CARBON GENERATION.—The
24 term “zero- or low-carbon generation” means gen-

1 eration of electricity by an electric generation unit
2 that—

3 (A) emits no carbon dioxide into the at-
4 mosphere; and

5 (B) was placed into commercial service
6 after the date of enactment of this Act.

7 (5) ZERO- OR LOW-CARBON GENERATION TECH-
8 NOLOGY.—The term “zero- or low-carbon generation
9 technology” means a technology used to create zero-
10 or low-carbon generation.

11 **SEC. 902. LOW- AND ZERO-CARBON ELECTRICITY TECH-**
12 **NOLOGY FUND.**

13 There is established in the Treasury of the United
14 States a fund, to be known as the “Low- and Zero-Carbon
15 Electricity Technology Fund”.

16 **SEC. 903. AUCTIONS.**

17 (a) FIRST PERIOD.—

18 (1) IN GENERAL.—For each of calendar years
19 2012 through 2021, the Administrator shall, in ac-
20 cordance with paragraph (2), auction 1.75 percent
21 of the quantity of emission allowances established
22 pursuant to section 201(a) for the calendar year to
23 raise funds for deposit in the Low- and Zero-Carbon
24 Electricity Technology Fund.

1 (2) NUMBER; FREQUENCY.—For each calendar
2 year during the period described in paragraph (1),
3 the Administrator shall—

4 (A) conduct not fewer than 4 auctions; and

5 (B) schedule the auctions in a manner to
6 ensure that—

7 (i) each auction takes place during the
8 period beginning 330 days before, and end-
9 ing 60 days before, the beginning of each
10 calendar year; and

11 (ii) the interval between each auction
12 is of equal duration.

13 (b) SECOND PERIOD.—

14 (1) IN GENERAL.—For each of calendar years
15 2022 through 2030, the Administrator shall, in ac-
16 cordance with paragraph (2), auction 2 percent of
17 the quantity of emission allowances established pur-
18 suant to section 201(a) for the calendar year to
19 raise funds for deposit in the Low- and Zero-Carbon
20 Electricity Technology Fund.

21 (2) NUMBER; FREQUENCY.—For each calendar
22 year during the period described in paragraph (1),
23 the Administrator shall—

24 (A) conduct not fewer than 4 auctions; and

1 (B) schedule the auctions in a manner to
2 ensure that—

3 (i) each auction takes place during the
4 period beginning 330 days before, and end-
5 ing 60 days before, the beginning of each
6 calendar year; and

7 (ii) the interval between each auction
8 is of equal duration.

9 (c) THIRD PERIOD.—

10 (1) IN GENERAL.—For each of calendar years
11 2031 through 2050, the Administrator shall, in ac-
12 cordance with paragraph (2), auction 1 percent of
13 the quantity of emission allowances established pur-
14 suant to section 201(a) for the calendar year to
15 raise funds for deposit in the Low- and Zero-Carbon
16 Electricity Technology Fund.

17 (2) NUMBER; FREQUENCY.—For each calendar
18 year during the period described in paragraph (1),
19 the Administrator shall—

20 (A) conduct not fewer than 4 auctions; and

21 (B) schedule the auctions in a manner to
22 ensure that—

23 (i) each auction takes place during the
24 period beginning 330 days before, and end-

1 ing 60 days before, the beginning of each
2 calendar year; and

3 (ii) the interval between each auction
4 is of equal duration.

5 **SEC. 904. DEPOSITS.**

6 The Administrator shall deposit all proceeds of auc-
7 tions conducted pursuant to section 903, immediately on
8 receipt of those proceeds, in the Low- and Zero-Carbon
9 Electricity Technology Fund.

10 **SEC. 905. USE OF FUNDS.**

11 For each of calendar years 2012 through 2050, all
12 funds deposited in the Low- and Zero-Carbon Electricity
13 Technology Fund during the preceding calendar year pur-
14 suant to section 904 shall be made available, without fur-
15 ther appropriation or fiscal year limitation, to the Climate
16 Change Technology Board established by section 431 to
17 carry out the financial incentives program established
18 under section 906.

19 **SEC. 906. FINANCIAL INCENTIVES PROGRAM.**

20 For fiscal year 2011 and each fiscal year thereafter,
21 the Climate Change Technology Board shall competitively
22 award financial incentives under this subtitle in the tech-
23 nology categories of—

24 (1) the production of electricity from new zero-
25 or low-carbon generation; and

1 (2) facility establishment or conversion by man-
2 ufacturers and component suppliers of zero- or low-
3 carbon generation technology.

4 **SEC. 907. REQUIREMENTS.**

5 (a) IN GENERAL.—The Climate Change Technology
6 Board shall make awards under this section to domestic
7 producers of new zero- or low-carbon generation, and do-
8 mestic facilities and operations of manufacturers and com-
9 ponent suppliers of zero- or low-carbon generation tech-
10 nology—

11 (1) in the case of producers of new zero- or low-
12 carbon generation, based on the bid of each gener-
13 ator in terms of dollars per megawatt-hour of elec-
14 tricity generated; and

15 (2) in the case of qualifying manufacturers of
16 zero- or low-carbon generation technology, based on
17 the criteria described in section 909.

18 (b) ACCEPTANCE OF BIDS.—

19 (1) IN GENERAL.—In making awards under
20 paragraphs (1) and (2) of subsection (a), the Cli-
21 mate Change Technology Board shall—

22 (A) solicit bids for reverse auction from
23 appropriate producers and manufacturers, as
24 determined by the Climate Change Technology
25 Board; and

1 (B) award financial incentives to the pro-
2 ducers and manufacturers that submit the low-
3 est bids that meet the requirements established
4 by the Climate Change Technology Board.

5 (2) FACTORS FOR CONVERSION.—

6 (A) IN GENERAL.—For the purpose of as-
7 sessing bids under paragraph (1), the Climate
8 Change Technology Board shall specify a factor
9 for converting megawatt-hours of electricity and
10 million British thermal units of natural gas to
11 common units.

12 (B) REQUIREMENT.—The conversion fac-
13 tor shall be based on the relative greenhouse
14 gas emission benefits of electricity and natural
15 gas conservation.

16 **SEC. 908. FORMS OF AWARDS.**

17 (a) ZERO- AND LOW-CARBON GENERATORS.—

18 (1) IN GENERAL.—Subject to paragraph (2), an
19 award for zero- or low-carbon generation under this
20 subtitle shall be in the form of a contract to provide
21 a production payment for commercial service of the
22 generation unit in an amount equal to the product
23 obtained by multiplying—

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

1 (B) the quantity of net megawatt-hours
2 generated by the zero- or low-carbon generation
3 unit each year during the first 10 years fol-
4 lowing the end of the calendar year of the
5 award.

6 (2) COMMERCIAL SERVICE.—A producer may
7 receive an award for a generation unit under this
8 subsection only if the first year of commercial serv-
9 ice of the generation unit occurs within 5 years of
10 the end of the calendar year of the award.

11 (b) MANUFACTURING OF ZERO- OR LOW-CARBON
12 GENERATION TECHNOLOGY.—

13 (1) IN GENERAL.—An award for the establish-
14 ment of a facility or conversion costs for zero- or
15 low-carbon generation technology shall be in an
16 amount equal to not more than 30 percent of the
17 cost of—

18 (A) establishing, reequipping, or expanding
19 a manufacturing facility to produce—

20 (i) qualifying zero- or low-carbon gen-
21 eration technology; or

22 (ii) qualifying components;

23 (B) engineering integration costs of zero-
24 or low-carbon generation technology and quali-
25 fying components; and

1 (C) property, machine tools, and other
2 equipment acquired or constructed primarily to
3 enable the recipient to test equipment necessary
4 for the construction or operation of a zero- or
5 low-carbon generation facility.

6 (2) MINIMUM AMOUNT.—The Climate Change
7 Technology Board shall use not less than $\frac{1}{4}$ of the
8 amounts made available to carry out this section to
9 make awards to entities for the manufacturing of
10 zero- or low-carbon generation technology.

11 **SEC. 909. SELECTION CRITERIA.**

12 (a) IN GENERAL.—In making awards under this sub-
13 title to qualifying manufacturers of zero- or low-carbon
14 generation technology and qualifying components, the Cli-
15 mate Change Technology Board shall select manufactur-
16 ers that—

17 (1) document the greatest use of domestically-
18 sourced parts and components;

19 (2) return to productive service existing idle
20 manufacturing capacity;

21 (3) are located in States with the greatest avail-
22 ability of unemployed manufacturing workers;

23 (4) compensate workers in an amount that is at
24 least 100 percent of the State average manufac-
25 turing wage, plus health insurance benefits;

1 (5) demonstrate a high probability of commer-
2 cial success; and

3 (6) achieve other criteria, as the Climate
4 Change Technology Board determines to be appro-
5 priate.

6 (b) REQUIREMENTS.—

7 (1) IN GENERAL.—Funding for construction,
8 alteration, or repair under this subtitle shall be con-
9 ditioned on a written assurance of payment, to all
10 laborers and mechanics employed by contractors or
11 subcontractors for the construction, alteration, or re-
12 pair, of wages at rates not less than those prevailing
13 on the same types of work in the locality, as deter-
14 mined by the Secretary of Labor in accordance with
15 sections 3141 through 3144, 3146, and 3147 of title
16 40, United States Code.

17 (2) AUTHORITY OF SECRETARY OF LABOR.—

18 The Secretary of Labor shall, with respect to the
19 labor standards described in paragraph (1), have the
20 authority and functions set forth in Reorganization
21 Plan Numbered 14 of 1950 (5 U.S.C. App.) and sec-
22 tion 3145 of title 40, United States Code.

1 **Subtitle B—Advanced Research**

2 **SEC. 911. AUCTIONS.**

3 (a) IN GENERAL.—For each of calendar years 2012
4 through 2050, the Administrator shall, in accordance with
5 subsection (b), auction 0.25 percent of the quantity of
6 emission allowances established pursuant to section 201(a)
7 for the calendar year to raise funds for deposit in the en-
8 ergy transformation acceleration fund described in section
9 912.

10 (b) NUMBER; FREQUENCY.—For each calendar year
11 during the period described in subsection (a), the Adminis-
12 trator shall—

13 (1) conduct not fewer than 4 auctions; and

14 (2) schedule the auctions in a manner to ensure
15 that—

16 (A) each auction takes place during the pe-
17 riod beginning 330 days before, and ending 60
18 days before, the beginning of each calendar
19 year; and

20 (B) the interval between each auction is of
21 equal duration.

22 **SEC. 912. DEPOSITS.**

23 The Administrator shall deposit all proceeds of auc-
24 tions conducted pursuant to section 911, immediately on
25 receipt of those proceeds, in an energy transformation ac-

1 celeration fund in the Treasury that is administered by
2 the Director of the Advanced Research Projects Agency
3 of the Department of Energy.

4 **SEC. 913. USE OF FUNDS.**

5 No amounts deposited in the energy transformation
6 acceleration fund pursuant to section 912 shall be dis-
7 bursed, except pursuant to an appropriation Act.

8 **TITLE X—FUTURE OF COAL**
9 **Subtitle A—Kick-Start for Carbon**
10 **Capture and Sequestration**

11 **SEC. 1001. CARBON CAPTURE AND SEQUESTRATION TECH-**
12 **NOLOGY FUND.**

13 There is established in the Treasury of the United
14 States a fund, to be known as the “Carbon Capture and
15 Sequestration Technology Fund” (referred to in this sub-
16 title as the “Fund”), consisting of such amounts as are
17 deposited in the Fund under section 1003.

18 **SEC. 1002. AUCTIONS.**

19 Not later than 120 days after the date of enactment
20 of this Act, and annually thereafter through 2022, the Ad-
21 ministrator shall auction, to raise funds for deposit in the
22 Fund, 1 percent of the quantity of emission allowances
23 established pursuant to section 201(a) for the calendar
24 year that occurs 3 years after the calendar year during
25 which the auction is conducted.

1 **SEC. 1003. DEPOSITS.**

2 The Administrator shall deposit all proceeds of auc-
3 tions conducted pursuant to section 1002, immediately on
4 receipt of those proceeds, in the Fund.

5 **SEC. 1004. USE OF FUNDS.**

6 (a) EXPENDITURES FROM FUND.—On request by the
7 Climate Change Technology Board established by section
8 431 (referred to in this subtitle as the “Board”), the Sec-
9 retary of the Treasury shall transfer from the Fund to
10 the Board such amounts as the Board determines are nec-
11 essary to carry out the Kick-Start Program under section
12 1005.

13 (b) AVAILABILITY OF FUNDS.—Funds transferred
14 under subsection (a) shall be made available to the Board
15 without further appropriation or fiscal year limitation.

16 **SEC. 1005. KICK-START PROGRAM.**

17 (a) IN GENERAL.—The Board shall use the amounts
18 in the Fund to establish and implement a program for
19 early deployment of carbon capture and sequestration
20 technology in the United States (referred to in this section
21 as the “Kick-Start Program”).

22 (b) GOAL.—The Board shall design and operate the
23 Kick-Start Program with the goal of rapidly bringing into
24 operation in the United States not fewer than 5 nor more
25 than 10 commercial facilities that capture and geologically

1 sequester carbon released when coal is used to generate
2 electricity.

3 (c) BASIS.—The Board shall base the Kick-Start
4 Program on the “Early Deployment Fund” recommenda-
5 tion contained in the final report issued by the Advanced
6 Coal Technology Work Group of the Clean Air Act Advi-
7 sory Committee of the Environmental Protection Agency
8 and dated January 29, 2008.

9 (d) COAL DIVERSITY.—The Kick-Start Program
10 shall ensure that a range of domestic coal types is em-
11 ployed in facilities receiving support under the Kick-Start
12 Program.

13 (e) PRIORITY.—Awards of financial support under
14 the Kick-Start Program shall be made in a manner that
15 maximizes the avoidance or reduction of greenhouse gas
16 emissions.

17 (f) REQUIREMENTS.—

18 (1) IN GENERAL.—As a condition of receiving
19 funding for construction, alteration, or repair activi-
20 ties under the Kick-Start Program, an individual or
21 entity shall provide, to each laborer and mechanic
22 employed by each contractor or subcontractor for the
23 activity, a written assurance of payment of wages at
24 rates not less than those prevailing on the same
25 types of work in the locality, as determined by the

1 Secretary of Labor in accordance with sections 3141
 2 through 3144, 3146, and 3147 of title 40, United
 3 States Code.

4 (2) AUTHORITY OF SECRETARY OF LABOR.—
 5 With respect to the labor standards described in
 6 paragraph (1), the Secretary of Labor shall have the
 7 authority and functions established in Reorganiza-
 8 tion Plan Number 14 of 1950 (5 U.S.C. App.) and
 9 section 3145 of title 40, United States Code.

10 **Subtitle B—Long-Term Carbon**
 11 **Capture and Sequestration In-**
 12 **centives**

13 **SEC. 1011. ALLOCATION.**

14 Not later than 2 years after the date of enactment
 15 of this Act, the Administrator shall—

16 (1) establish an account to be known as the
 17 “Bonus Allowance Account” for carbon capture and
 18 sequestration projects in the United States; and

19 (2) allocate to the Bonus Allowance Account
 20 quantities of the emission allowances established for
 21 calendar years 2012 through 2050 pursuant to sec-
 22 tion 201(a) in accordance with the following table:

Calendar Year	Percentage for allocation to Bonus Allowance Account
2012	3
2013	3
2014	3

Calendar Year	Percentage for allocation to Bonus Allowance Account
2015	3
2016	3
2017	3
2018	3
2019	3
2020	3
2021	3
2022	3
2023	3
2024	3
2025	3
2026	4
2027	4
2028	4
2029	4
2030	4
2031	1
2032	1
2033	1
2034	1
2035	1
2036	1
2037	1
2038	1
2039	1
2040	1
2041	1
2042	1
2043	1
2044	1
2045	1
2046	1
2047	1
2048	1
2049	1
2050	1.

1 **SEC. 1012. QUALIFYING PROJECTS.**

2 (a) DEFINITIONS.—In this section:

3 (1) COMMENCED.—The term “commenced”,
4 with respect to construction, means that an owner or
5 operator has—

1 (A) obtained the necessary permits to un-
2 dertake a continuous program of construction;
3 and

4 (B) entered into a binding contractual obli-
5 gation, with substantial financial penalties for
6 cancellation, to undertake a program described
7 in subparagraph (A).

8 (2) CONSTRUCTION.—The term “construction”
9 means the fabrication, erection, or installation of the
10 technology for a carbon capture and sequestration
11 project.

12 (3) NEW ENTRANT.—The term “new entrant”
13 means an electric generating unit that begins oper-
14 ation after the date of enactment of this Act.

15 (b) ELIGIBILITY.—To be eligible to receive emission
16 allowances under this subtitle, a carbon capture and se-
17 questration project shall—

18 (1) comply with such criteria and procedures as
19 the Administrator may establish, including a re-
20 quirement, as prescribed in subsection (c), for an
21 annual emission performance standard for carbon di-
22 oxide emissions from any unit for which allowances
23 are allocated;

24 (2) sequester, in a geological formation per-
25 mitted by the Administrator for that purpose in ac-

1 cordance with regulations promulgated under part C
2 of the Safe Drinking Water Act (42 U.S.C. 300h et
3 seq.), carbon dioxide captured from any unit for
4 which allowances are allocated;

5 (3) have begun operation during the period be-
6 ginning on January 1, 2008, and ending on Decem-
7 ber 31, 2035; and

8 (4) not produce a transportation fuel that con-
9 tains more than 10 kilograms of fossil-based carbon
10 per million British thermal units, higher heat value.

11 (c) EMISSION PERFORMANCE STANDARDS.—Subject
12 to subsection (d), a carbon capture and sequestration
13 project shall be eligible to receive emission allowances
14 under this subtitle only if the project achieves 1 of the
15 following emission performance standards for limiting car-
16 bon dioxide emissions from the unit:

17 (1)(A) An electric generation unit that is not a
18 new entrant and that commences operation of car-
19 bon capture and sequestration equipment before
20 January 1, 2016, shall—

21 (i) treat at least the amount of flue gas
22 equivalent to 100 megawatts of the output of
23 the generation unit; and

1 (ii) be designed to capture and sequester
2 at least 85 percent of the carbon dioxide in that
3 flue gas.

4 (B) The bonus allowance adjustment ratio
5 under section 1013(b) shall apply only to the mega-
6 watt-hours and carbon dioxide emissions attributable
7 to the treated share of the flue gas of the generation
8 unit.

9 (2) An electric generation unit that is not a new
10 entrant and that commences operation of carbon
11 capture and sequestration equipment on or after
12 January 1, 2016, shall achieve an average annual
13 emission rate of not more than 1,200 pounds of car-
14 bon dioxide per megawatt-hour of net electricity gen-
15 eration, after subtracting the carbon dioxide that is
16 captured and sequestered.

17 (3) A new entrant electric generation unit for
18 which construction of the unit commenced before
19 July 1, 2018, shall achieve an average annual emis-
20 sion rate of not more than 800 pounds of carbon di-
21 oxide per megawatt-hour of net electricity genera-
22 tion, after subtracting the carbon dioxide that is
23 captured and sequestered.

24 (4) A new entrant electric generation unit for
25 which construction of the unit commenced on or

1 after July 1, 2018, shall achieve an average annual
2 emission rate of not more than 350 pounds of car-
3 bon dioxide per megawatt-hour of net electricity gen-
4 eration, after subtracting the carbon dioxide that is
5 captured and sequestered.

6 (5) Any unit at a covered entity that is not an
7 electric generation unit shall achieve an average an-
8 nual emission rate that is achieved by the capture
9 and sequestration of a minimum of 85 percent of the
10 total carbon dioxide emissions produced by the unit.

11 (d) ADJUSTMENT OF PERFORMANCE STANDARDS.—

12 (1) IN GENERAL.—The Climate Change Tech-
13 nology Board may adjust the emission performance
14 standard for a carbon capture and sequestration
15 project described in subsection (c) for an electric
16 generation unit that uses subbituminous coal, lig-
17 nite, or petroleum coke in significant quantities.

18 (2) REQUIREMENT.—In any case described in
19 paragraph (1), the performance standard for the
20 project shall prescribe an annual emission rate that
21 requires the project to achieve an equivalent reduc-
22 tion from uncontrolled carbon dioxide emissions lev-
23 els from the use of subbituminous coal, lignite, or
24 petroleum coke, as compared to the emission rate
25 that the project would have achieved if that unit had

1 combusted only bituminous coal during the par-
2 ticular year.

3 **SEC. 1013. DISTRIBUTION.**

4 (a) CALCULATION.—

5 (1) IN GENERAL.—Subject to section 1014, for
6 each of calendar years 2012 through 2039, the Ad-
7 ministrators shall distribute emission allowances from
8 the Bonus Allowance Account established under sec-
9 tion 1011 to each qualifying project under this sub-
10 title in a quantity equal to the product obtained by
11 multiplying—

12 (A) the bonus allowance adjustment factor,
13 as determined under subsection (b);

14 (B) the number of metric tons of carbon
15 dioxide emissions avoided through capture and
16 geological sequestration of emissions by the
17 project, as determined in accordance with para-
18 graph (2); and

19 (C) the bonus allowance rate for the appli-
20 cable calendar year, as provided in the following
21 table:

Calendar Year	Bonus Allowance Rate
2012	2
2013	2
2014	2
2015	2
2016	2
2017	2

Calendar Year	Bonus Allowance Rate
2018	1.9
2019	1.8
2020	1.7
2021	1.6
2022	1.3
2023	1.2
2024	1.1
2025	1
2026	0.9
2027	0.8
2028	0.7
2029	0.6
2030	0.5
2031	0.5
2032	0.5
2033	0.5
2034	0.5
2035	0.5
2036	0.5
2037	0.5
2038	0.5
2039	0.5.

1 (2) AVOIDED CARBON DIOXIDE EMISSIONS.—

2 For the purpose of determining the number of met-
3 ric tons of carbon dioxide avoided in paragraph
4 (1)(B), the Administrator shall—

5 (A) in the first year, count as avoided car-
6 bon dioxide emissions the proportion of carbon
7 dioxide emissions the owner or operator certifies
8 as the designed level of capture for the project,
9 subject to verification and adjustment; and

10 (B) in each subsequent year, count the
11 higher of—

12 (i) the actual metric tons of carbon di-
13 oxide sequestered in the preceding year; or

1 (ii) the proportion of emissions the
2 owner or operator certifies as the result of
3 a modification to the designed capture level
4 of the project, subject to verification and
5 adjustment.

6 (b) BONUS ALLOWANCE ADJUSTMENT RATIO.—

7 (1) IN GENERAL.—Except as provided in para-
8 graph (2), the Administrator shall determine the
9 bonus allowance adjustment factor by dividing—

10 (A) a carbon dioxide emission rate of 350
11 pounds per megawatt-hour; by

12 (B) the annual carbon dioxide emission
13 rate, on a pounds per megawatt-hour basis,
14 that a qualifying project at the electric genera-
15 tion unit achieved during a particular year.

16 (2) EXCEPTIONS.—Notwithstanding paragraph
17 (1), the bonus allowance adjustment factor shall—

18 (A) in the case of a project that qualifies
19 under section 1012(c)(1), be equal to 1 during
20 the first 4 years that emission allowances are
21 distributed to the project;

22 (B) in the case of a project that qualifies
23 under section 1012(c)(2), be equal to 1 during
24 the first 4 years that emission allowances are
25 distributed to the project;

1 (C) in the case of a project that qualifies
2 under section 1012(c)(3), be equal to 1 during
3 the first 8 years that emission allowances are
4 distributed to the project; and

5 (D) not exceed 1 for any qualifying
6 project.

7 (c) NON-ELECTRIC GENERATING UNITS.—

8 (1) IN GENERAL.—For a qualifying project
9 other than an electric generating unit, the Adminis-
10 trator shall by regulation reduce the bonus allowance
11 rates described in section 1013(a)(1)(C) so that the
12 bonus allowance rate for the projects does not exceed
13 the incremental capital and operating costs for car-
14 rying out sequestration of carbon dioxide from the
15 facility.

16 (2) LIMITATION.—In distributing emission al-
17 lowances under this subtitle, the Administrator shall
18 distribute not more than 20 percent of the quantity
19 of emission allowances in the Bonus Allowance Ac-
20 count for nonelectric generation units described in
21 section 1012(c)(5).

22 (d) ENHANCED OIL RECOVERY.—For a carbon cap-
23 ture and sequestration project sequestering in a geological
24 formation for purposes of enhanced oil recovery, the Ad-
25 ministrator shall by regulation reduce the bonus allowance

1 rates set forth in section 1013(a)(1)(C) to reflect the lower
2 cost of the projects when compared to sequestration into
3 geological formations solely for purposes of disposal.

4 **SEC. 1014. 10-YEAR LIMIT.**

5 A qualifying project may receive annual emission al-
6 lowances under this subtitle only for—

7 (1) the first 10 years of operation; or

8 (2) if the unit covered by the qualifying project
9 began operating before January 1, 2012, the period
10 of calendar years 2012 through 2021.

11 **SEC. 1015. EXHAUSTION OF BONUS ALLOWANCE ACCOUNT.**

12 If, at the beginning of a calendar year, the Adminis-
13 trator determines that the number of emission allowances
14 remaining in the Bonus Allowance Account established
15 under section 1011 will be insufficient to allow the dis-
16 tribution in that calendar year, of the number of allow-
17 ances that otherwise would be distributed under section
18 1013 for the calendar year, the Administrator shall, for
19 the calendar year—

20 (1) distribute the remaining bonus allowances
21 only to qualifying projects that were already quali-
22 fying projects during the preceding calendar year;

23 (2) distribute the remaining bonus allowances
24 to those qualifying projects on a pro rata basis; and

1 (3) discontinue the program established under
2 this subtitle as of the date on which the Bonus Al-
3 lowance Account is projected to be fully used based
4 on projects already in operation.

5 **Subtitle C—Legal Framework**

6 **SEC. 1021. NATIONAL DRINKING WATER REGULATIONS.**

7 (a) IN GENERAL.—Section 1421 of the Safe Drink-
8 ing Water Act (42 U.S.C.300h) is amended—

9 (1) in subsection (b)(1), by striking “subsection
10 (d)(2)” and inserting “subsection (e)(2)”;

11 (2) by redesignating subsection (d) as sub-
12 section (e); and

13 (3) by inserting after subsection (c) the fol-
14 lowing:

15 “(d) CARBON DIOXIDE.—

16 “(1) REGULATIONS.—Not later than 1 year
17 after the date of enactment of the Lieberman-War-
18 ner Climate Security Act of 2008, the Administrator
19 shall promulgate regulations establishing standards
20 for permitting commercial-scale underground injec-
21 tion of carbon dioxide for the purpose of geological
22 sequestration to address climate change.

23 “(2) INCLUSIONS.—Standards promulgated
24 under paragraph (1) shall include requirements—

1 “(A)(i) to monitor and control the long-
2 term storage of carbon dioxide;

3 “(ii) to avoid, to the maximum extent prac-
4 ticable, and quantify any release of carbon diox-
5 ide into the atmosphere; and

6 “(iii) to ensure protection of underground
7 sources of drinking water, human health, and
8 the environment;

9 “(B) for financial responsibility (including
10 financial responsibility for well plugging, post-
11 injection site care, site closure, monitoring, cor-
12 rective action, and remedial care), as necessary,
13 allowing for the use of 1 or more financial in-
14 struments, including insurance, surety bond,
15 letter of credit, financial guarantee, or quali-
16 fication as a self-insurer; and

17 “(C) relating to long-term care and stew-
18 ardship associated with commercial-scale geo-
19 logical sequestration, including financial respon-
20 sibility, as necessary, consistent with the degree
21 and duration of risk associated with the geologi-
22 cal sequestration of carbon dioxide for purposes
23 of subparagraph (A).

24 “(3) AUTHORIZATION.—The Administrator may
25 specify the policy or other contractual terms, condi-

1 tions, or defenses that are necessary to establish evi-
2 dence of financial responsibility for the purposes of
3 this subsection.”.

4 (b) CONFORMING AMENDMENT.—Section 1447(a)(4)
5 of the Safe Drinking Water Act (42 U.S.C. 300j–6(a)(4))
6 is amended by striking “section 1421(d)(2)” and inserting
7 “section 1421(e)(2)”.

8 **SEC. 1022. ASSESSMENT OF GEOLOGICAL STORAGE CAPAC-**
9 **ITY FOR CARBON DIOXIDE.**

10 (a) DEFINITIONS.—In this section:

11 (1) ASSESSMENT.—The term “assessment”
12 means the national assessment of capacity for car-
13 bon dioxide completed under subsection (f).

14 (2) CAPACITY.—The term “capacity” means the
15 portion of a storage formation that can retain car-
16 bon dioxide in accordance with the requirements (in-
17 cluding physical, geological, and economic require-
18 ments) established under the methodology developed
19 under subsection (b).

20 (3) ENGINEERED HAZARD.—The term “engi-
21 neered hazard” includes the location and completion
22 history of any well that could affect a storage forma-
23 tion or capacity.

1 (4) RISK.—The term “risk” includes any risk
2 posed by a geomechanical, geochemical,
3 hydrogeological, structural, or engineered hazard.

4 (5) SECRETARY.—The term “Secretary” means
5 the Secretary of the Interior, acting through the Di-
6 rector of the United States Geological Survey.

7 (6) STORAGE FORMATION.—The term “storage
8 formation” means a deep saline formation,
9 unmineable coal seam, oil or gas reservoir, or other
10 geological formation that is capable of accommo-
11 dating a volume of industrial carbon dioxide.

12 (b) METHODOLOGY.—Not later than 1 year after the
13 date of enactment of this Act, the Secretary shall develop
14 a methodology for conducting an assessment under sub-
15 section (f), taking into consideration—

16 (1) the geographical extent of all potential stor-
17 age formations in all States;

18 (2) the capacity of the potential storage forma-
19 tions;

20 (3) the injectivity of the potential storage for-
21 mations;

22 (4) an estimate of potential volumes of oil and
23 gas recoverable by injection and storage of industrial
24 carbon dioxide in potential storage formations;

1 (5) the risk associated with the potential stor-
2 age formations; and

3 (6) the work performed to develop the Carbon
4 Sequestration Atlas of the United States and Can-
5 ada completed by the Department of Energy in April
6 2006.

7 (c) COORDINATION.—

8 (1) FEDERAL COORDINATION.—

9 (A) CONSULTATION.—The Secretary shall
10 consult with the Secretary of Energy and the
11 Administrator regarding data sharing and the
12 format, development of methodology, and con-
13 tent of the assessment to ensure the maximum
14 usefulness and success of the assessment.

15 (B) COOPERATION.—The Secretary of En-
16 ergy and the Administrator shall cooperate with
17 the Secretary to ensure, to the maximum extent
18 practicable, the usefulness and success of the
19 assessment.

20 (2) STATE COORDINATION.—The Secretary
21 shall consult with State geological surveys and other
22 relevant entities to ensure, to the maximum extent
23 practicable, the usefulness and success of the assess-
24 ment.

1 (d) EXTERNAL REVIEW AND PUBLICATION.—On
2 completion of the methodology under subsection (b), the
3 Secretary shall—

4 (1) publish the methodology and solicit com-
5 ments from the public and the heads of affected
6 Federal and State agencies;

7 (2) establish a panel of individuals with exper-
8 tise in the matters described in paragraphs (1)
9 through (5) of subsection (b) comprised, as appro-
10 priate, of representatives of Federal agencies, insti-
11 tutions of higher education, nongovernmental organi-
12 zations, State organizations, industry, and inter-
13 national geosciences organizations to review the
14 methodology and comments received under para-
15 graph (1); and

16 (3) on completion of the review under para-
17 graph (2), publish in the Federal Register the re-
18 vised final methodology.

19 (e) PERIODIC UPDATES.—The methodology devel-
20 oped under this section shall be updated periodically (in-
21 cluding not less frequently than once every 5 years) to in-
22 corporate new data as the data becomes available.

23 (f) NATIONAL ASSESSMENT.—

24 (1) IN GENERAL.—Not later than 2 years after
25 the date of publication of the methodology under

1 subsection (d)(3), the Secretary, in consultation with
2 the Secretary of Energy and State geological sur-
3 veys, shall complete a national assessment of the ca-
4 pacity for carbon dioxide storage in accordance with
5 the methodology.

6 (2) GEOLOGICAL VERIFICATION.—As part of
7 the assessment, the Secretary shall carry out a char-
8 acterization program to supplement the geological
9 data relevant to determining storage capacity in car-
10 bon dioxide in geological storage formations, includ-
11 ing—

12 (A) well log data;

13 (B) core data; and

14 (C) fluid sample data.

15 (3) PARTNERSHIP WITH OTHER DRILLING PRO-
16 GRAMS.—As part of the drilling characterization
17 under paragraph (2), the Secretary shall enter into
18 partnerships, as appropriate, with other entities to
19 collect and integrate data from other drilling pro-
20 grams relevant to the storage of carbon dioxide in
21 geological formations.

22 (4) INCORPORATION INTO NATCARB.—

23 (A) IN GENERAL.—On completion of the
24 assessment, the Secretary shall incorporate the

1 results of the assessment using, to the max-
2 imum extent practicable—

3 (i) the NatCarb database of the Na-
4 tional Energy Technology Laboratory of
5 the Department of Energy; or

6 (ii) a new database developed by the
7 Secretary, as the Secretary determines to
8 be necessary.

9 (B) RANKING.—The database shall include
10 the data necessary to rank potential storage
11 sites—

12 (i) for capacity and risk;

13 (ii) across the United States;

14 (iii) within each State;

15 (iv) by formation; and

16 (v) within each basin.

17 (5) REPORT.—Not later than 180 days after
18 the date on which the assessment is completed, the
19 Secretary shall submit to the Committee on Energy
20 and Natural Resources of the Senate and the Com-
21 mittee on Science and Technology of the House of
22 Representatives a report describing the results of the
23 assessment.

24 (6) PERIODIC UPDATES.—The assessment shall
25 be updated periodically (including not less frequently

1 than once every 5 years) as necessary to support
2 public and private sector decisionmaking, as deter-
3 mined by the Secretary.

4 **SEC. 1023. STUDY OF FEASIBILITY RELATING TO CON-**
5 **STRUCTION AND OPERATION OF PIPELINES**
6 **AND GEOLOGICAL CARBON DIOXIDE SEQUES-**
7 **TRATION ACTIVITIES.**

8 (a) IN GENERAL.—The Secretary of Energy, in co-
9 ordination with the Administrator, the Chairman of the
10 Federal Energy Regulatory Commission, the Secretary of
11 Transportation, and the Secretary of the Interior, and in
12 consultation with representatives of industry, financial in-
13 stitutions, investors, owners and operators of applicable
14 facilities, regulators, institutions of higher education, and
15 other stakeholders, shall conduct a study to assess the fea-
16 sibility of the construction of—

17 (1) pipelines to be used for the transportation
18 of carbon dioxide for the purpose of sequestration or
19 enhanced oil recovery; and

20 (2) geological carbon dioxide sequestration fa-
21 cilities.

22 (b) SCOPE.—The study shall consider—

23 (1) any barrier or potential barrier in existence
24 as of the date of enactment of this Act, including

1 any technical, siting, financing, or regulatory bar-
2 rier, relating to—

3 (A) the construction and operation of pipe-
4 lines to be used for the transportation of carbon
5 dioxide for the purpose of sequestration or en-
6 hanced oil recovery; or

7 (B) the construction and operation of fa-
8 cilities for the geological sequestration of carbon
9 dioxide;

10 (2) any market risk (including throughput risk)
11 relating to—

12 (A) the construction and operation of pipe-
13 lines to be used for the transportation of carbon
14 dioxide for the purpose of sequestration or en-
15 hanced oil recovery; or

16 (B) the construction and operation of fa-
17 cilities for the geological sequestration of carbon
18 dioxide;

19 (3) any regulatory, financing, or siting option
20 that, as determined by the Secretary of Energy,
21 would—

22 (A) mitigate any market risk described in
23 paragraph (2); or

24 (B) help ensure the construction and oper-
25 ation of pipelines dedicated to the transpor-

1 tation of carbon dioxide for the purpose of se-
2 questration or enhanced oil recovery;

3 (4) the means by which to ensure the safe han-
4 dling, transportation, and sequestration of carbon
5 dioxide;

6 (5) any preventive measure to ensure the integ-
7 rity of pipelines to be used for the transportation of
8 carbon dioxide for the purpose of sequestration or
9 enhanced oil recovery;

10 (6) any other appropriate use, as determined by
11 the Secretary of Energy, in coordination with the
12 Administrator, the Chairman of the Federal Energy
13 Regulatory Commission, the Secretary of Transpor-
14 tation, and the Secretary of the Interior;

15 (7) the means by which to ensure that siting is
16 carried out in a manner that is socioeconomically
17 just and environmentally and ecologically sound; and

18 (8) the findings of the task force established
19 under section 1024, in consultation with industry, fi-
20 nancial institutions, investors, owners and operators,
21 regulators, academic experts, and stakeholders.

22 (c) REPORT.—Not later than 180 days after the date
23 of enactment of this Act, the Secretary of Energy shall
24 submit to Congress a report describing the results of the
25 study.

1 **SEC. 1024. LIABILITIES FOR CLOSED GEOLOGICAL STOR-**
2 **AGE SITES.**

3 (a) ESTABLISHMENT OF TASK FORCE.—As soon as
4 practicable, but not later than 180 days after the date of
5 enactment of this Act, the Administrator shall establish
6 a task force, with equal representation from the public,
7 academic subject matter experts, and industry, to conduct
8 a study of the statutory framework, environmental and
9 safety considerations, and financial implications of poten-
10 tial Federal assumption of liabilities with respect to closed
11 geological sites.

12 (b) CHARGE OF TASK FORCE.—At a minimum, the
13 task force shall consider—

14 (1) procedures for the certification and approval
15 of geological storage sites and projects, including
16 siting, monitoring, and closure standards;

17 (2) existing statutory authority under the Safe
18 Drinking Water Act (42 U.S.C. 300f et seq.) and
19 the Clean Air Act (42 U.S.C. 7401 et seq.) to ad-
20 dress issues relating to long-term financial responsi-
21 bility and long-term liabilities; and

22 (3) successorship of closed geological storage
23 sites used to sequester carbon dioxide, including pos-
24 sible transfer of title and liabilities from the private
25 sector to the public sector and conditions that might
26 be placed on such a transfer, transfer of financial re-

1 sponsibility to the public sector or within the private
2 sector, and possible indemnity from long-term liabil-
3 ities.

4 **TITLE XI—FUTURE OF**
5 **TRANSPORTATION**
6 **Subtitle A—Kick-Start for Clean**
7 **Commercial Fleets**

8 **SEC. 1101. PURPOSE.**

9 The purpose of this subtitle is to accelerate the com-
10 mercialization and diffusion of fuel-efficient medium- and
11 heavy-duty hybrid commercial trucks, buses, and vans in
12 the United States.

13 **SEC. 1102. ALLOCATION.**

14 Not later than 2 years after the date of enactment
15 of this Act, the Administrator shall allocate to the pro-
16 gram established under section 1103 0.5 percent of the
17 aggregate quantity of emission allowances established pur-
18 suant to section 201(a) for calendar years 2012 through
19 2017.

20 **SEC. 1103. CLEAN MEDIUM- AND HEAVY-DUTY HYBRID**
21 **FLEETS PROGRAM.**

22 (a) **IN GENERAL.**—Not later than 2 years after the
23 date of enactment of this Act, the Administrator shall—

24 (1) review and revise, as necessary, regulations
25 promulgated under section 113; and

1 (2) promulgate regulations for a program for
2 distributing emission allowances allocated pursuant
3 to section 1102 to entities in the United States as
4 an immediate reward for purchase by the entities of
5 advanced medium- and heavy-duty hybrid commer-
6 cial vehicles, based on demonstrated increases in fuel
7 efficiency.

8 (b) REQUIREMENTS.—The regulations promulgated
9 pursuant to subsection (a) shall require that—

10 (1) only purchasers of commercial vehicles
11 weighing at least 8,500 pounds are eligible for re-
12 ceipt of emission allowances under the program;

13 (2) the purchasers of qualifying vehicles are
14 provided certainty of the magnitude and timeliness
15 of delivery of the reward at the time at which the
16 purchasers purchase the vehicles;

17 (3) rewards increase commensurately with fuel
18 efficiency of qualifying vehicles;

19 (4) qualifying vehicles shall be categorized into
20 not fewer than 3 classes of vehicle weight, in order
21 to ensure—

22 (A) adequate availability of rewards for
23 different categories of commercial vehicles; and

1 (B) that the rewards for heavier, more ex-
2 pensive vehicles are proportional to the rewards
3 for lighter, less expensive vehicles;

4 (5) rewards decrease over time, in order to en-
5 courage early purchases of hybrid vehicles; and

6 (6) to the maximum extent practicable, all
7 emission allowances allocated to the program shall
8 have been distributed as rewards by not later than
9 5 years after the date of enactment of this Act.

10 **Subtitle B—Advanced Vehicle** 11 **Manufacturers**

12 **SEC. 1111. CLIMATE CHANGE TRANSPORTATION ENERGY** 13 **TECHNOLOGY FUND.**

14 There is established in the Treasury of the United
15 States a fund, to be known as the “Climate Change Trans-
16 portation Energy Technology Fund” (referred to in this
17 subtitle as the “Fund”).

18 **SEC. 1112. AUCTIONS.**

19 (a) IN GENERAL.—For each of calendar years 2012
20 through 2050, the Administrator shall, in accordance with
21 subsection (b), auction 1 percent of the quantity of emis-
22 sion allowances established pursuant to section 201(a) for
23 the calendar year in order to raise funds for deposit in
24 the Fund.

1 (b) NUMBER; FREQUENCY.—For each calendar year
2 during the period described in subsection (a), the Adminis-
3 trator shall—

4 (1) conduct not fewer than 4 auctions; and

5 (2) schedule the auctions in a manner to ensure
6 that—

7 (A) each auction takes place during the pe-
8 riod beginning 330 days before, and ending 60
9 days before, the beginning of each calendar
10 year; and

11 (B) the interval between each auction is of
12 equal duration.

13 **SEC. 1113. DEPOSITS.**

14 The Administrator shall deposit all proceeds of auc-
15 tions conducted pursuant to section 1112, immediately on
16 receipt of those proceeds, into the Fund.

17 **SEC. 1114. USE OF FUNDS.**

18 For each of calendar years 2012 through 2050, all
19 funds deposited into the Fund during the preceding year
20 pursuant to section 1113 shall be made available, without
21 further appropriation or fiscal year limitation, to the Cli-
22 mate Change Technology Board established by section 431
23 for making manufacturer facility conversion awards under
24 section 1115.

1 **SEC. 1115. MANUFACTURER FACILITY CONVERSION PRO-**
2 **GRAM.**

3 (a) IN GENERAL.—The Climate Change Technology
4 Board established by section 431 shall use all amounts
5 in the Fund to provide facility funding awards under this
6 section to manufacturers to pay not more than 30 percent
7 of the cost of—

8 (1) reequipping, expanding, or establishing a
9 manufacturing facility in the United States to
10 produce—

11 (A) qualifying advanced technology vehi-
12 cles; or

13 (B) qualifying components; and

14 (2) engineering integration performed in the
15 United States of qualifying vehicles and qualifying
16 components.

17 (b) PERIOD OF AVAILABILITY.—An award under sub-
18 section (a) shall apply to—

19 (1) facilities and equipment placed in service
20 during the period beginning on the date of enact-
21 ment of this Act and ending on December 31, 2029;
22 and

23 (2) engineering integration costs incurred after
24 the date of enactment of this Act.

25 (c) CAFE REQUIREMENTS.—The Climate Change
26 Technology Board shall not make an award under this sec-

1 tion to an automobile manufacturer or component supplier
2 that, directly or through a parent, subsidiary, or affiliated
3 entity, is not in compliance with each corporate average
4 fuel economy standard under section 32902 of title 49,
5 United States Code, in effect on the date of the award.

6 (d) ADDITIONAL REQUIREMENTS.—

7 (1) DEFINITION OF PROSPECTIVE RECIPIENT.—

8 In this subsection, the term “prospective recipient”
9 means an automobile manufacturer or component
10 supplier (including any parent, subsidiary, or affili-
11 ated entity) that seeks to receive an award under
12 this section.

13 (2) CERTIFICATION.—To be eligible to receive
14 an award under this section, a prospective recipient
15 shall certify to the Climate Change Technology
16 Board that, for the 7-calendar year period beginning
17 on the date of receipt of the award, the prospective
18 recipient will maintain in the United States a num-
19 ber of full-time or full-time-equivalent employees
20 that is—

21 (A) equal to 90 percent of the monthly av-
22 erage number of full-time or full-time-equivalent
23 employees maintained by the prospective recipi-
24 ent for the 12-month period ending on the date
25 of receipt of the award;

1 (B) sufficient to ensure that the proportion
2 that the workforce of the prospective recipient
3 in the United States bears to the global work-
4 force of the prospective recipient is equal to or
5 greater than the average monthly proportion
6 that the workforce of the prospective recipient
7 in the United States bears to the global work-
8 force of the prospective recipient for the 12-
9 month period ending on the date of receipt of
10 the award; or

11 (C) sufficient to ensure that any percent-
12 age decrease in the hourly workforce of the pro-
13 spective recipient in the United States is not
14 greater than the aggregate of the percentage
15 decrease in the market share of the prospective
16 recipient in the United States and the increase
17 in the productivity of the prospective recipient,
18 calculated during the period beginning on the
19 date of receipt of the award and ending on the
20 date of certification under this paragraph.

21 (3) RECERTIFICATION.—Not later than 1 year
22 after the date of receipt of an award under this sec-
23 tion, and annually thereafter, a prospective recipient
24 shall—

1 (A) recertify to the Climate Change Tech-
2 nology Board that, during the preceding cal-
3 endar year, the prospective recipient has
4 achieved compliance with an applicable require-
5 ment described in paragraph (2); and

6 (B) provide to the Climate Change Tech-
7 nology Board sufficient data for verification of
8 the recertification.

9 (4) REPAYMENT.—A prospective recipient that
10 fails to make the recertification required by para-
11 graph (3) shall pay to the Climate Change Tech-
12 nology Board an amount equal to the difference be-
13 tween—

14 (A) the amount of the original award to
15 the prospective recipient; and

16 (B) the product obtained by multiplying—

17 (i) an amount equal to $\frac{1}{7}$ of that
18 original amount; and

19 (ii) the number of years during which
20 the prospective recipient—

21 (I) received an award under this
22 section; and

23 (II) made the recertification re-
24 quired by paragraph (3).

1 (e) ADMINISTRATION.—The terms and conditions es-
2 tablished for applicants under section 136(d)(2) of the En-
3 ergy Independence and Security Act of 2007 (42 U.S.C.
4 17013(d)) shall apply to prospective recipients under this
5 section.

6 **Subtitle C—Cellulosic Biofuel**

7 **SEC. 1121. CELLULOSIC BIOFUEL PROGRAM.**

8 (a) ALLOCATION.—

9 (1) FIRST PERIOD.—Not later than 330 days
10 before the beginning of each of calendar years 2012
11 and 2013, the Administrator shall allocate to the
12 program established under subsection (b) 1 percent
13 of the emission allowances established pursuant to
14 section 201(a) for that calendar year.

15 (2) SECOND PERIOD.—Not later than 330 days
16 before the beginning of each of calendar years 2014
17 through 2017, the Administrator shall allocate to
18 the program established under subsection (b) 0.75
19 percent of the emission allowances established pur-
20 suant to section 201(a) for that calendar year.

21 (3) THIRD PERIOD.—Not later than 330 days
22 before the beginning of each of calendar years 2018
23 through 2030, the Administrator shall allocate to
24 the program established under subsection (b) 1 per-

1 cent of the emission allowances established pursuant
2 to section 201(a) for that calendar year.

3 (b) PROGRAM.—

4 (1) IN GENERAL.—Not later than 2 years after
5 the date of enactment of this Act, the Administrator
6 shall promulgate regulations to establish a program
7 for distributing emission allowances allocated under
8 subsection (a) to entities in the United States as a
9 reward for production in the United States of fuel
10 from cellulosic biomass grown in the United States.

11 (2) REQUIREMENTS.—The regulations promul-
12 gated pursuant to paragraph (1) shall require that
13 emission allowances shall be distributed under the
14 program—

15 (A) among a variety of feedstocks and a
16 variety of regions of the United States;

17 (B) on a competitive basis for projects that
18 have produced in the United States fuels that—

19 (i) meet United States fuel and emis-
20 sions specifications;

21 (ii) help diversify domestic transpor-
22 tation energy supplies;

23 (iii) improve or maintain air, water,
24 soil, and habitat quality and protect scarce
25 water supplies; and

1 (iv) are cellulosic biofuel (as defined
2 in section 211(o)(1) of the Clean Air Act
3 (42 U.S.C. 7545(o)(1))); and

4 (C) in a manner that provides priority to
5 projects that achieve—

6 (i) low costs to consumers over the
7 medium- and long-terms;

8 (ii) demonstrably low lifecycle green-
9 house gas emissions, taking into account
10 direct and indirect land-use changes;

11 (iii) high long-term technological po-
12 tential, taking into consideration produc-
13 tion volume, feedstock availability, and
14 process efficiency;

15 (iv) low environmental impacts, taking
16 into consideration air, water, and habitat
17 quality; and

18 (v) fuels with the ability to serve mul-
19 tiple economic segments of the transpor-
20 tation sector, including the aviation and
21 marine segments.

22 **Subtitle D—Low-Carbon Fuel**
23 **Standard**

24 **SEC. 1131. FINDINGS.**

25 Congress finds that—

1 (1) oil used for transportation contributes sig-
2 nificantly to air pollution, including greenhouse
3 gases, water pollution, and other adverse impacts on
4 the environment; and

5 (2) to reduce greenhouse gas emissions, the
6 United States should rely increasingly on advanced,
7 clean, low-carbon fuels for transportation.

8 **SEC. 1132. DEFINITIONS.**

9 Section 211(o)(1) of the Clean Air Act (42 U.S.C.
10 7545(o)(1)) is amended—

11 (1) by redesignating subparagraphs (G)
12 through (L) as subparagraphs (J) through (O), re-
13 spectively;

14 (2) by inserting after subparagraph (F) the fol-
15 lowing:

16 “(G) CULTIVATED NOXIOUS PLANT.—The
17 term ‘cultivated noxious plant’ means a plant
18 that is included on—

19 “(i) the Federal noxious weed list
20 maintained by the Animal and Plant
21 Health Inspection Service; or

22 “(ii) any comparable State list.

23 “(H) FUEL EMISSION BASELINE.—The
24 term ‘fuel emission baseline’ means the average
25 lifecycle greenhouse gas emissions per unit of

1 energy of the aggregate of all transportation
2 fuels sold or introduced into commerce in cal-
3 endar year 2005, as determined by the Admin-
4 istrator under paragraph (13).

5 “(I) FUEL PROVIDER.—The term ‘fuel
6 provider’ includes, as the Administrator deter-
7 mines to be appropriate, any individual or enti-
8 ty that produces, refines, blends, or imports any
9 transportation fuel in commerce in, or into, the
10 United States.”; and

11 (3) by striking subparagraph (O) (as redesign-
12 nated by paragraph (1)) and inserting the following:

13 “(O) TRANSPORTATION FUEL.—The term
14 ‘transportation fuel’ means fuel for use in
15 motor vehicles, nonroad vehicles, nonroad en-
16 gines, or aircraft.”.

17 **SEC. 1133. ESTABLISHMENT.**

18 Section 211(o) of the Clean Air act (42 U.S.C.
19 7545(o)) is amended by adding at the end the following:

20 “(13) ADVANCED CLEAN FUEL PERFORMANCE
21 STANDARD.—

22 “(A) STANDARD.—

23 “(i) IN GENERAL.—Not later than
24 January 1, 2010, the Administrator shall,
25 by regulation—

1 “(I) establish a methodology for
2 use in determining the lifecycle green-
3 house gas emissions per unit of en-
4 ergy of all transportation fuels in
5 commerce for which the Administrator
6 has not already established such a
7 methodology;

8 “(II) determine the fuel emission
9 baseline; and

10 “(III) in accordance with clause
11 (ii), establish a requirement applicable
12 to transportation fuel providers to re-
13 duce, on an annual average basis, the
14 average lifecycle greenhouse gas emis-
15 sions per unit of energy of the aggre-
16 gate quantity of transportation fuel
17 produced, refined, blended, or im-
18 ported by the fuel provider to a level
19 that is, to the maximum extent prac-
20 ticable—

21 “(aa) by not later than cal-
22 endar year 2011, at least equal
23 to or less than the fuel emission
24 baseline;

1 “(bb) by not later than cal-
2 endar year 2012, equivalent to
3 the difference between the fuel
4 emission baseline and the
5 lifecycle greenhouse gas emis-
6 sions per unit of energy reduced
7 by the volumetric renewable fuel
8 requirements of paragraph
9 (2)(B);

10 “(cc) by not later than cal-
11 endar year 2023, at least 5 per-
12 cent less than the fuel emission
13 baseline; and

14 “(dd) by not later than cal-
15 endar year 2028, at least 10 per-
16 cent less than the fuel emission
17 baseline.

18 “(ii) PREVENTION OF AIR QUALITY
19 DETERIORATION.—

20 “(I) STUDY.—Not later than 18
21 months after the date of enactment of
22 this paragraph, the Administrator
23 shall complete a study to determine
24 whether the greenhouse gas emission
25 reductions required under clause

1 (i)(III) will adversely impact air qual-
2 ity as a result of changes in vehicle
3 and engine emissions of air pollutants
4 regulated under this Act.

5 “(II) CONSIDERATIONS.—The
6 study shall include consideration of—

7 “(aa) different blend levels,
8 types of transportation fuels, and
9 available vehicle technologies; and

10 “(bb) appropriate national,
11 regional, and local air quality
12 control measures.

13 “(III) REGULATIONS.—Not later
14 than 3 years after the date of enact-
15 ment of this paragraph, the Adminis-
16 trator shall—

17 “(aa) promulgate fuel regu-
18 lations to implement appropriate
19 measures to mitigate, to the max-
20 imum extent practicable and tak-
21 ing into consideration the results
22 of the study conducted under this
23 clause, any adverse impacts on
24 air quality as a result of the
25 greenhouse gas emission reduc-

1 tions required by this subsection;

2 or

3 “(bb) make a determination
4 that no such measures are nec-
5 essary.

6 “(iii) CALENDAR YEAR 2033 AND
7 THEREAFTER.—For calendar year 2033,
8 and every 5 years thereafter, the Adminis-
9 trator, in consultation with the Secretary
10 of Agriculture and the Secretary of En-
11 ergy, shall revise the applicable perform-
12 ance standard under clause (i)(III) to re-
13 duce, to the maximum extent practicable,
14 the average lifecycle greenhouse gas emis-
15 sions per unit of energy of the aggregate
16 quantity of transportation fuel sold or in-
17 troduced into commerce in the United
18 States.

19 “(iv) REVISION OF REGULATIONS.—In
20 accordance with the purposes of the
21 Lieberman-Warner Climate Security Act of
22 2008, the Administrator may, as appro-
23 priate, revise the regulations promulgated
24 under clause (i) as necessary to reflect or
25 respond to changes in the transportation

1 fuel market or other relevant cir-
2 cumstances.

3 “(v) METHOD OF CALCULATION.—In
4 calculating the lifecycle greenhouse gas
5 emissions of hydrogen or electricity (when
6 used as a transportation fuel) under clause
7 (i)(I), the Administrator shall—

8 “(I) include emission resulting
9 from the production of the hydrogen
10 or electricity; and

11 “(II) consider to be equivalent to
12 the energy delivered by 1 gallon of
13 ethanol the energy delivered by—

14 “(aa) 6.4 kilowatt-hours of
15 electricity;

16 “(bb) 32 standard cubic feet
17 of hydrogen; or

18 “(cc) 1.25 gallons of liquid
19 hydrogen.

20 “(vi) DETERMINATION OF LIFECYCLE
21 GREENHOUSE GAS EMISSIONS.—In car-
22 rying out this subparagraph, the Adminis-
23 trator shall use the best available scientific
24 and technical information to determine the
25 lifecycle greenhouse gas emissions per unit

1 of energy of transportation fuels derived
2 from—

3 “(I) renewable biomass;

4 “(II) electricity, including the en-
5 tire lifecycle of the fuel;

6 “(III) 1 or more fossil fuels, in-
7 cluding the entire lifecycle of the
8 fuels; and

9 “(IV) hydrogen, including the en-
10 tire lifecycle of the fuel.

11 “(vii) EQUIVALENT EMISSIONS.—In
12 carrying out this subparagraph, the Ad-
13 ministrator shall consider transportation
14 fuel derived from cultivated noxious plants,
15 and transportation fuel derived from bio-
16 mass sources other than renewable bio-
17 mass, to have emissions equivalent to the
18 greater of—

19 “(I) the lifecycle greenhouse gas
20 emissions; or

21 “(II) the fuel emission baseline.

22 “(B) ELECTION TO PARTICIPATE.—An
23 electricity provider may elect to participate in
24 the program under this subsection if the elec-
25 tricity provider provides and separately tracks

1 electricity for transportation through a meter
2 that—

3 “(i) measures the electricity used for
4 transportation separately from electricity
5 used for other purposes; and

6 “(ii) allows for load management and
7 time-of-use rates.

8 “(C) CREDITS.—

9 “(i) IN GENERAL.—The regulations
10 promulgated to carry out this paragraph
11 shall permit fuel providers to generate
12 credits for achieving, during a calendar
13 year, greater reductions in lifecycle green-
14 house gas emissions of the fuel provided,
15 blended, or imported by the fuel provider
16 than are required under subparagraph
17 (A)(i)(III).

18 “(ii) METHOD OF CALCULATION.—
19 The number of credits received by a fuel
20 provider under clause (i) for a calendar
21 year shall be the product obtained by mul-
22 tiplying—

23 “(I) the aggregate quantity of
24 fuel produced, distributed, or im-

1 ported by the fuel provider during the
2 calendar year; and

3 “(II) the difference between—

4 “(aa) the lifecycle green-
5 house gas emissions per unit of
6 energy of that quantity of fuel;
7 and

8 “(bb) the maximum lifecycle
9 greenhouse gas emissions per
10 unit of energy of that quantity of
11 fuel permitted for the calendar
12 year under subparagraph
13 (A)(i)(III).

14 “(D) COMPLIANCE.—

15 “(i) IN GENERAL.—Each fuel provider
16 subject to this paragraph shall dem-
17 onstrate compliance with this paragraph,
18 including, as necessary, through the use of
19 credits banked or purchased.

20 “(ii) NO LIMITATION ON TRADING OR
21 BANKING.—There shall be no limit on the
22 ability of any fuel provider to trade or
23 bank credits pursuant to this subpara-
24 graph.

1 “(iii) USE OF BANKED CREDITS.—A
2 fuel provider may use banked credits under
3 this subparagraph with no discount or
4 other adjustment to the credits.

5 “(iv) INABILITY TO GENERATE OR
6 PURCHASE SUFFICIENT CREDITS.—A fuel
7 provider that is unable to generate or pur-
8 chase sufficient credits to meet the require-
9 ments of subparagraph (A)(i)(III) may
10 carry the compliance deficit forward, sub-
11 ject to the condition that the fuel provider,
12 for the calendar year following the year for
13 which the deficit is created—

14 “(I) achieves compliance with
15 subparagraph (A)(i)(III); and

16 “(II) generates or purchases ad-
17 ditional credits to offset the deficit
18 from the preceding calendar year.

19 “(v) TYPES OF CREDITS.—To encour-
20 age innovation in transportation fuels—

21 “(I) only credits created in the
22 production of transportation fuels
23 may be used for the purpose of com-
24 pliance described in clause (i); and

1 “(II) credits created by or in
2 other sectors, such as manufacturing,
3 may not be used for that purpose.

4 “(E) IMPACT ON FOOD PRODUCTION.—Not
5 later than 18 months after the date of enact-
6 ment of this paragraph, the Administrator shall
7 evaluate and consider promulgating regulations
8 to address any significant impacts on access to,
9 and production of, food due to the sourcing and
10 production of fuels used to comply with this
11 Act.

12 “(F) NO EFFECT ON STATE AUTHORITY.—
13 Nothing in this paragraph affects the authority
14 of any State to establish, or to maintain in ef-
15 fect, any transportation fuel standard that re-
16 duces greenhouse gas emissions.”.

17 **TITLE XII—FEDERAL PROGRAM**
18 **TO PROTECT NATURAL RE-**
19 **SOURCES**
20 **Subtitle A—Auctions**

21 **SEC. 1201. DEFINITIONS.**

22 In this subtitle:

23 (1) BUREAU OF LAND MANAGEMENT FUND.—
24 The term “Bureau of Land Management Fund”

1 means the Bureau of Land Management Emergency
2 Firefighting Fund established by section 1211(a).

3 (2) FOREST SERVICE FUND.—The term “For-
4 est Service Fund” means the Forest Service Emer-
5 gency Firefighting Fund established by section
6 1212(a).

7 (3) WILDLIFE ADAPTATION FUND.—The term
8 “Wildlife Adaptation Fund” means the National
9 Wildlife Adaptation Fund established by section
10 1231(a).

11 **SEC. 1202. AUCTIONS.**

12 (a) IN GENERAL.—In accordance with subsections
13 (b) and (c), to raise funds for deposit in the Bureau of
14 Land Management Fund, the Forest Service Fund, and
15 the Wildlife Adaptation Fund, for each of calendar years
16 2012 through 2050, the Administrator shall—

17 (1) auction a quantity of the emission allow-
18 ances established pursuant to section 201(a) for
19 each calendar year; and

20 (2) immediately on receipt of the auction pro-
21 ceeds—

22 (A) deposit in the Bureau of Land Man-
23 agement Fund the amount of those proceeds
24 that is sufficient to ensure that the amount in

1 the Bureau of Land Management Fund equals
2 \$300,000,000;

3 (B) deposit in the Forest Service Fund the
4 amount of those proceeds that is sufficient to
5 ensure that the amount in the Forest Service
6 Fund equals \$800,000,000; and

7 (C) deposit all remaining proceeds from
8 the auctions conducted under this section in the
9 Wildlife Adaptation Fund.

10 (b) NUMBER; FREQUENCY.—For each calendar year
11 during the period described in subsection (a), the Adminis-
12 trator shall—

13 (1) conduct not fewer than 4 auctions; and

14 (2) schedule the actions in a manner to ensure
15 that—

16 (A) each auction takes place during the pe-
17 riod beginning on the date that is 35 days after
18 January 1 of the calendar year and ending on
19 the date that is 60 before December 31 of the
20 calendar year; and

21 (B) the interval between each auction is of
22 equal duration.

23 (c) QUANTITIES OF EMISSION ALLOWANCES AUC-
24 TIONED.—For each calendar year of the period described
25 in subsection (a), the Administrator shall auction a quan-

- 1 tity of emission allowances in accordance with the applica-
- 2 ble percentages described in the following table:

Calendar Year	Percentage for auction for funds
2012	3
2013	2.5
2014	2.5
2015	2.5
2016	2.5
2017	2.5
2018	2.5
2019	2.5
2020	2.5
2021	2.5
2022	2.5
2023	3
2024	3
2025	4
2026	4
2027	4
2028	4
2029	4
2030	4
2031	4
2032	5
2033	5
2034	5
2035	5
2036	5
2037	5
2038	5
2039	5
2040	5
2041	5
2042	5
2043	5
2044	5
2045	5
2046	5
2047	5
2048	5
2049	5
2050	5.

Subtitle B—Funds

2 SEC. 1211. BUREAU OF LAND MANAGEMENT EMERGENCY 3 FIREFIGHTING FUND.

4 (a) ESTABLISHMENT.—There is established in the
5 Treasury of the United States a fund, to be known as the
6 “Bureau of Land Management Emergency Firefighting
7 Fund”, consisting of such amounts as are deposited in the
8 Bureau of Land Management Fund under section
9 1202(a)(2)(A).

10 (b) USE AND AVAILABILITY OF FUNDS.—Amounts
11 deposited in the Bureau of Land Management Fund under
12 section 1202(a)(2)(A) shall be—

13 (1) used to pay for wildland fire suppression ac-
14 tivities, the costs of which are in excess of amounts
15 annually appropriated to the Secretary of the Inte-
16 rior (referred to in this section as the “Secretary”)
17 for normal, nonemergency wildland fire suppression
18 activities; and

19 (2) made available without further appropria-
20 tion or fiscal year limitation.

21 (c) ACCOUNTING AND REPORTING.—

22 (1) ESTABLISHMENT OF SYSTEM.—In accord-
23 ance with paragraph (2), not later than 3 years after
24 the date of enactment of this Act, the Secretary

1 shall establish an accounting and reporting system
2 for activities carried out under this section.

3 (2) REQUIREMENTS OF SYSTEM.—

4 (A) NATIONAL FIRE PLAN.—To ensure
5 that the accounting and reporting system estab-
6 lished by the Secretary under paragraph (1) is
7 compatible with each reporting procedure of the
8 National Fire Plan, the Secretary shall estab-
9 lish the accounting and reporting system in ac-
10 cordance with the National Fire Plan.

11 (B) MONTHLY AND ANNUAL REPORTS.—
12 The accounting and reporting system under
13 paragraph (1) shall include a requirement that
14 the Secretary submit to the Committee on En-
15 ergy and Natural Resources of the Senate and
16 the Committee on Natural Resources of the
17 House of Representatives—

18 (i) not later than the last day of each
19 month, a report that contains a description
20 of each expenditure made from the Bureau
21 of Land Management Fund during the
22 preceding month; and

23 (ii) not later than September 30 of
24 each fiscal year, a report that contains a
25 description of each expenditure made from

1 the Bureau of Land Management Fund
2 during the preceding fiscal year.

3 **SEC. 1212. FOREST SERVICE EMERGENCY FIREFIGHTING**
4 **FUND.**

5 (a) ESTABLISHMENT.—There is established in the
6 Treasury of the United States a fund, to be known as the
7 “Forest Service Emergency Firefighting Fund”, con-
8 sisting of such amounts as are deposited in the Forest
9 Service Fund under section 1202(a)(2)(B).

10 (b) USE AND AVAILABILITY OF FUNDS.—Amounts
11 deposited in the Forest Service Fund under section
12 1202(a)(2)(B) shall be—

13 (1) used to pay for wildland fire suppression ac-
14 tivities, the costs of which are in excess of amounts
15 annually appropriated to the Secretary of Agri-
16 culture (referred to in this section as the “Sec-
17 retary”) for normal, nonemergency wildland fire
18 suppression activities; and

19 (2) made available without further appropria-
20 tion or fiscal year limitation.

21 (c) ACCOUNTING AND REPORTING.—

22 (1) ESTABLISHMENT OF SYSTEM.—In accord-
23 ance with paragraph (2), not later than 3 years after
24 the date of enactment of this Act, the Secretary

1 shall establish an accounting and reporting system
2 for activities carried out under this section.

3 (2) REQUIREMENTS OF SYSTEM.—

4 (A) NATIONAL FIRE PLAN.—To ensure
5 that the accounting and reporting system estab-
6 lished by the Secretary under paragraph (1) is
7 compatible with each reporting procedure of the
8 National Fire Plan, the Secretary shall estab-
9 lish the accounting and reporting system in ac-
10 cordance with the National Fire Plan.

11 (B) MONTHLY AND ANNUAL REPORTS.—
12 The accounting and reporting system under
13 paragraph (1) shall include a requirement that
14 the Secretary submit to the Committee on En-
15 ergy and Natural Resources of the Senate and
16 the Committee on Natural Resources of the
17 House of Representatives—

18 (i) not later than the last day of each
19 month, a report that contains a description
20 of each expenditure made from the Forest
21 Service Fund during the preceding month;
22 and

23 (ii) not later than September 30 of
24 each fiscal year, a report that contains a
25 description of each expenditure made from

1 the Forest Service Fund during the pre-
2 ceding fiscal year.

3 **Subtitle C—National Wildlife**
4 **Adaptation Strategy**

5 **SEC. 1221. DEFINITIONS.**

6 In this subtitle:

7 (1) **ADVISORY BOARD.**—The term “Advisory
8 Board” means the Science Advisory Board estab-
9 lished by the Secretary under section 1223(a).

10 (2) **GREAT LAKE.**—The term “Great Lake”
11 means—

12 (A) Lake Erie;

13 (B) Lake Huron (including Lake Saint
14 Clair);

15 (C) Lake Michigan;

16 (D) Lake Ontario;

17 (E) Lake Superior; and

18 (F) the connecting channels of those
19 Lakes, including—

20 (i) the Saint Marys River;

21 (ii) the Saint Clair River;

22 (iii) the Detroit River;

23 (iv) the Niagara River; and

24 (v) the Saint Lawrence River to the
25 Canadian border.

1 (3) NATIONAL STRATEGY.—The term “national
2 strategy” means the National Wildlife Adaptation
3 Strategy developed by the President under section
4 1222(a).

5 (4) SCIENCE CENTER.—The term “Science
6 Center” means the Climate Change and Natural Re-
7 source Science Center established under section
8 1224(a).

9 (5) SECRETARY.—The term “Secretary” means
10 the Secretary of the Interior.

11 **SEC. 1222. NATIONAL STRATEGY.**

12 (a) IN GENERAL.—Not later than 3 years after the
13 date of enactment of this Act, the President shall develop
14 and implement a national strategy to be known as the
15 “National Wildlife Adaptation Strategy” to assist fish and
16 wildlife, fish and wildlife habitat, plants, aquatic and ter-
17 restrial ecosystems, and associated ecological processes—

18 (1) to become more resilient; and

19 (2) to adapt to the impacts of climate change
20 and ocean acidification.

21 (b) ADMINISTRATION.—In establishing and revising
22 the national strategy, the President shall—

23 (1) base the national strategy on the best avail-
24 able science, as provided by the Advisory Board;

- 1 (2) develop the national strategy in cooperation
2 with—
- 3 (A) State fish and wildlife agencies;
 - 4 (B) State coastal agencies;
 - 5 (C) State environmental agencies;
 - 6 (D) territories and possessions of the
7 United States; and
 - 8 (E) Indian tribes;
- 9 (3) coordinate with—
- 10 (A) the Secretary;
 - 11 (B) the Secretary of Commerce;
 - 12 (C) the Secretary of Agriculture;
 - 13 (D) the Secretary of Defense;
 - 14 (E) the Administrator; and
 - 15 (F) the head of any other appropriate Fed-
16 eral agency, as determined by the President;
- 17 (4) consult with—
- 18 (A) local governments;
 - 19 (B) conservation organizations;
 - 20 (C) scientists; and
 - 21 (D) any other interested stakeholder; and
- 22 (5) provide public notice and opportunity for
23 comment.

1 (c) CONTENTS.—The President shall include in the
2 national strategy, at a minimum, prioritized goals and
3 measures and a schedule for implementation—

4 (1) to identify and monitor fish and wildlife,
5 fish and wildlife habitat, plants, aquatic and terres-
6 trial ecosystems, and associated ecological processes
7 that—

8 (A) are particularly likely to be adversely
9 affected by climate change and ocean acidifica-
10 tion; and

11 (B) have the greatest need for protection,
12 restoration, and conservation;

13 (2) to identify and monitor coastal, estuarine,
14 marine, terrestrial, and freshwater habitats that are
15 at the greatest risk of being damaged by climate
16 change and ocean acidification;

17 (3) to assist species in adapting to the impacts
18 of climate change and ocean acidification;

19 (4) to protect, acquire, maintain, and restore
20 fish and wildlife habitat to build resilience to climate
21 change and ocean acidification;

22 (5) to provide habitat linkages and corridors to
23 facilitate fish, wildlife, and plant movement in re-
24 sponse to climate change and ocean acidification;

1 (6) to restore and protect ecological processes
2 that sustain fish, wildlife, and plant populations that
3 are vulnerable to climate change and ocean acidifica-
4 tion;

5 (7) to protect, maintain, and restore coastal,
6 marine, and aquatic ecosystems to ensure that the
7 ecosystems are more resilient and better able to
8 withstand the additional stresses associated with cli-
9 mate change, including changes in—

10 (A) hydrology;

11 (B) relative sea level rise;

12 (C) ocean acidification; and

13 (D) water levels and temperatures of the
14 Great Lakes;

15 (8) to protect ocean and coastal species from
16 the impacts of climate change and ocean acidifica-
17 tion;

18 (9) to incorporate adaptation strategies and ac-
19 tivities to address relative sea level rise and changes
20 in Great Lakes water levels in coastal zone planning;

21 (10) to protect, maintain, and restore ocean
22 and coastal habitats to build healthy and resilient
23 ecosystems (including through the purchase of
24 aquatic and terrestrial ecosystems and coastal and
25 island land);

1 (11) to protect, maintain, and restore
2 floodplains to build healthy and resilient ecosystems
3 (including through the purchase of land in
4 floodplains);

5 (12) to protect, maintain, and restore aquatic
6 and terrestrial ecosystems to ensure the long-term
7 sustainability of the ecosystems for human and eco-
8 system use;

9 (13) to explore pollution prevention opportuni-
10 ties to reduce or eliminate the environmental im-
11 pacts caused by climate change on aquatic and ter-
12 restrial ecosystems; and

13 (14) to incorporate consideration of climate
14 change and ocean acidification, and to integrate ad-
15 aptation strategies and activities for fish and wild-
16 life, fish and wildlife habitat, plants, aquatic and ter-
17 restrial ecosystems, and associated ecological proc-
18 esses, in the planning and management of Federal
19 land and water administered by the Federal agencies
20 that receive funding under subtitle D.

21 (d) COORDINATION WITH OTHER PLANS.—In devel-
22 oping the national strategy, the President shall, to the
23 maximum extent practicable—

24 (1) take into consideration research and infor-
25 mation contained in—

1 (A) State comprehensive wildlife conserva-
2 tion plans;

3 (B) the North American Waterfowl Man-
4 agement Plan;

5 (C) the National Fish Habitat Action
6 Plan;

7 (D) coastal zone management plans;

8 (E) reports published by the Pew Oceans
9 Commission and the United States Commission
10 on Ocean Policy;

11 (F) State or local integrated water re-
12 source management plans;

13 (G) watershed plans developed pursuant to
14 section 208 or 319 of the Federal Water Pollu-
15 tion Control Act (33 U.S.C. 1288 and 1329);

16 (H) the Great Lakes Regional Collabora-
17 tion Strategy; and

18 (I) other relevant plans; and

19 (2) coordinate and integrate the goals and
20 measures identified in the national strategy with the
21 goals and measures identified in those plans.

22 (e) REVISIONS.—Not later than 5 years after the
23 date on which the national strategy is developed, and not
24 less frequently than every 5 years thereafter, the President

1 shall review and revise the national strategy in accordance
2 with the procedures described in this section.

3 **SEC. 1223. SCIENCE ADVISORY BOARD.**

4 (a) ESTABLISHMENT.—Not later than 180 days after
5 the date of enactment of this Act, the Secretary shall es-
6 tablish and appoint the members of an Advisory Board
7 that is composed of—

8 (1) not fewer than 10, and not more than 20,
9 members who—

10 (A) are recommended by the President of
11 the National Academy of Sciences;

12 (B) have expertise in fish, wildlife, plant,
13 aquatic, and coastal and marine biology, hydrol-
14 ogy, ecology, climate change, ocean acidifica-
15 tion, and other relevant scientific disciplines;
16 and

17 (C) represent a balanced membership be-
18 tween Federal, State, local, and tribal rep-
19 resentatives, universities, and conservation or-
20 ganizations; and

21 (2) each Director of the Science Center, each of
22 whom shall be an ex officio member of the Advisory
23 Board.

24 (b) DUTIES.—The Advisory Board shall—

1 (1) advise the President, the Directors of the
2 Science Center, and relevant Federal agencies and
3 departments on—

4 (A) the best available science regarding the
5 impacts of climate change and ocean acidifica-
6 tion on fish and wildlife, habitat, plants, aquatic
7 and terrestrial ecosystems, and associated eco-
8 logical processes; and

9 (B) scientific strategies and mechanisms
10 for adaptation;

11 (2) identify and recommend priorities for ongo-
12 ing research needs regarding those issues; and

13 (3) review the quality of the research programs
14 carried out by the Science Center.

15 (c) COLLABORATION.—The Advisory Board shall col-
16 laborate with any other climate change or ecosystem re-
17 search entity of any other Federal agency.

18 (d) PUBLIC AVAILABILITY.—The advice and rec-
19 ommendations of the Advisory Board shall be made avail-
20 able to the public.

21 (e) NONAPPLICABILITY OF FACA.—The Advisory
22 Board shall not be subject to the Federal Advisory Com-
23 mittee Act (5 U.S.C. App.).

1 **SEC. 1224. CLIMATE CHANGE AND NATURAL RESOURCE**
2 **SCIENCE CENTER.**

3 (a) IN GENERAL.—The Secretary shall establish a
4 Climate Change and Natural Resource Science Center
5 within the Department of the Interior.

6 (b) FUNCTIONS.—In operating the Science Center,
7 the Secretary, in coordination with the Secretaries of Agri-
8 culture, Commerce, and Defense, and the Administrator,
9 and in consultation with State fish and wildlife manage-
10 ment agencies, State coastal management agencies, terri-
11 tories or possessions of the United States, and Indian
12 tribes, shall—

13 (1) conduct scientific research on national
14 issues relating to the impacts of climate change on
15 the respective authority of each Federal agency over,
16 and mechanisms of each Federal agency for, adapta-
17 tion, and avoidance and minimization of, the impacts
18 on fish, wildlife, and plants, the habitats of fish,
19 wildlife, and plants, and associated ecological proc-
20 esses;

21 (2) consult with and advise Federal land, water,
22 and natural resource management and regulatory
23 agencies and Federal fish and wildlife agencies on—

24 (A) the impacts of climate change on fish,
25 wildlife, and plants, the habitats of fish, wild-

1 life, and plants, and associated ecological proc-
2 esses; and

3 (B) mechanisms for addressing the im-
4 pacts described in subparagraph (A);

5 (3) consult and, to the maximum extent prac-
6 ticable, collaborate with State and local agencies,
7 territories or possessions of the United States, In-
8 dian tribes, universities, and other public and private
9 entities regarding research, monitoring, and other
10 efforts to address the impacts of climate change on
11 fish, wildlife, and plants, the habitats of fish, wild-
12 life, and plants, and associated ecological processes;
13 and

14 (4) collaborate and, as appropriate, enter into
15 contracts with Federal and non-Federal climate
16 change research entities to ensure that the full array
17 of ecosystem types are appropriately addressed.

18 **Subtitle D—National Wildlife**
19 **Adaptation Program**

20 **SEC. 1231. NATIONAL WILDLIFE ADAPTATION FUND.**

21 (a) ESTABLISHMENT.—There is established in the
22 Treasury of the United States a fund, to be known as the
23 “National Wildlife Adaptation Fund”, consisting of such
24 amounts as are deposited in the Wildlife Adaptation Fund
25 under section 1202(a)(2)(C).

1 (b) USE AND AVAILABILITY OF FUNDS.—Amounts
2 deposited in the Wildlife Adaptation Fund under section
3 1202(a)(2)(C) shall be—

4 (1) used to carry out activities (including re-
5 search and education activities) to assist fish and
6 wildlife, fish and wildlife habitat, plants, aquatic and
7 terrestrial ecosystems, and associated ecological
8 processes in becoming more resilient, adapting to,
9 and surviving the impacts of, climate change and
10 ocean acidification (referred to in this subtitle as
11 “adaptation activities”) pursuant to this subtitle;
12 and

13 (2) made available without further appropria-
14 tion or fiscal year limitation.

15 (c) CONSISTENCY WITH NATIONAL STRATEGY.—

16 (1) IN GENERAL.—Subject to paragraph (2), ef-
17 fective beginning on the date on which the President
18 establishes the national strategy under section 1222,
19 funds made available under subsection (b) shall be
20 used only for adaptation activities that are con-
21 sistent with the national strategy.

22 (2) INITIAL PERIOD.—Until the date on which
23 the President establishes the national strategy,
24 funds made available under subsection (b) shall be
25 used only for adaptation activities that are con-

1 sistent with a work-plan established by the Presi-
2 dent.

3 **SEC. 1232. DEPARTMENT OF THE INTERIOR.**

4 Of the amounts made available annually under sec-
5 tion 1231(b)—

6 (1) 34 percent shall be allocated to the Sec-
7 retary of the Interior for use in funding—

8 (A) adaptation activities carried out—

9 (i) under endangered species, migra-
10 tory bird, and other fish and wildlife pro-
11 grams administered by the United States
12 Fish and Wildlife Service;

13 (ii) on wildlife refuges and other pub-
14 lic land under the jurisdiction of the
15 United States Fish and Wildlife Service,
16 the Bureau of Land Management, or the
17 National Park Service;

18 (iii) within Federal water managed by
19 the Bureau of Reclamation; or

20 (iv) to address the requirements of
21 Federal and State natural resource agen-
22 cies through coordination, dissemination,
23 and augmentation of research regarding
24 the impacts of climate change on fish,
25 wildlife, and plants, the habitats of fish,

1 wildlife, and plants, and ecological proc-
2 esses, and the mechanisms to adapt to,
3 mitigate, or prevent those impacts by the
4 Science Center within the United States
5 Geological Survey—

6 (I) in coordination with the Sec-
7 retaries of Agriculture, Commerce,
8 and Defense, and the Administrator;
9 and

10 (II) in consultation with State
11 fish and wildlife management agen-
12 cies, State environmental, coastal, and
13 Great Lakes management agencies,
14 territories or possessions of the
15 United States, and Indian tribes;

16 (B) the Advisory Board; and

17 (C) the Science Center;

18 (2) 10 percent shall be allocated to the Sec-
19 retary of the Interior for adaptation activities car-
20 ried out under cooperative grant programs, includ-
21 ing—

22 (A) the cooperative endangered species
23 conservation fund authorized under section 6(i)
24 of the Endangered Species Act of 1973 (16
25 U.S.C. 1535(i));

1 (B) programs under the North American
2 Wetlands Conservation Act (16 U.S.C. 4401 et
3 seq.);

4 (C) the multinational species conservation
5 fund established under the heading “MULTI-
6 NATIONAL SPECIES CONSERVATION FUND” of
7 title I of the Department of the Interior and
8 Related Agencies Appropriations Act, 1999 (16
9 U.S.C. 4246);

10 (D) the Neotropical Migratory Bird Con-
11 servation Fund established by section 9(a) of
12 the Neotropical Migratory Bird Conservation
13 Act (16 U.S.C. 6108(a));

14 (E) the Coastal Program of the United
15 States Fish and Wildlife Service;

16 (F) the National Fish Habitat Action
17 Plan;

18 (G) the Partners for Fish and Wildlife
19 Program;

20 (H) the Landowner Incentive Program;

21 (I) the Wildlife Without Borders Program
22 of the United States Fish and Wildlife Service;
23 and

24 (J) the Park Flight Migratory Bird Pro-
25 gram of the National Park Service; and

1 (3) 2 percent shall be allocated to the Secretary
2 of the Interior and subsequently made available to
3 Indian tribes to carry out adaptation activities
4 through the tribal wildlife grants program of the
5 United States Fish and Wildlife Service.

6 **SEC. 1233. FOREST SERVICE.**

7 Of the amounts made available annually under sec-
8 tion 1231(b), 10 percent shall be allocated to the Sec-
9 retary of Agriculture for use in funding adaptation activi-
10 ties carried out—

11 (1) on National Forests and National Grass-
12 lands under the jurisdiction of the Forest Service; or

13 (2) pursuant to the cooperative Wings Across
14 the Americas Program.

15 **SEC. 1234. ENVIRONMENTAL PROTECTION AGENCY.**

16 Of the amounts made available annually under sec-
17 tion 1231(b), 12 percent shall be allocated to the Adminis-
18 trator for use in adaptation activities for restoring and
19 protecting—

20 (1) large-scale freshwater aquatic ecosystems,
21 including the Everglades, the Great Lakes, Flathead
22 Lake, the Missouri River, the Mississippi River, the
23 Colorado River, the Sacramento-San Joaquin Rivers,
24 the Ohio River, the Columbia-Snake River System,
25 the Apalachicola, the Chattahoochee and Flint River

1 System, the Connecticut River, and the Yellowstone
2 River;

3 (2) large-scale estuarine ecosystems, including
4 the Chesapeake Bay, Long Island Sound, Puget
5 Sound, the Mississippi River Delta, San Francisco
6 Bay Delta, Narragansett Bay, and Albemarle-
7 Pamlico Sound; and

8 (3) other freshwater, estuarine, coastal, and
9 marine ecosystems, watersheds, basins, and ground-
10 water resources identified as priorities by the Ad-
11 ministrator (including those identified in accordance
12 with section 320 of the Federal Water Pollution
13 Control Act (33 U.S.C. 1330)), working in coopera-
14 tion with other Federal agencies, States, local gov-
15 ernments, scientists, and other conservation part-
16 ners.

17 **SEC. 1235. CORPS OF ENGINEERS.**

18 Of the amounts made available annually under sec-
19 tion 1231(b), 15 percent shall be allocated to the Sec-
20 retary of the Army for use by the Corps of Engineers to
21 carry out adaptation activities for protecting and restor-
22 ing—

23 (1) large-scale freshwater aquatic ecosystems,
24 including the ecosystems described in section
25 1234(1);

1 (2) large-scale estuarine ecosystems, including
2 the ecosystems described in section 1234(2);

3 (3) other freshwater, estuarine, coastal and ma-
4 rine ecosystems, watersheds, basins, and ground-
5 water resources identified as priorities by the Corps
6 of Engineers, working in cooperation with other
7 Federal agencies, States, local governments, sci-
8 entists, and other conservation partners; and

9 (4) habitats or ecosystems under programs such
10 as—

11 (A) the Estuary Restoration Act of 2000
12 (33 U.S.C. 2901 et seq.);

13 (B) project modifications in accordance
14 with section 1135 of the Water Resources De-
15 velopment Act of 1986 (33 U.S.C. 2309a) for
16 improvement of the environment; and

17 (C) the program for aquatic restoration
18 under section 206 of the Water Resources De-
19 velopment Act of 1996 (33 U.S.C. 2330).

20 **SEC. 1236. DEPARTMENT OF COMMERCE.**

21 Of the amounts made available annually under sec-
22 tion 1231(b), 17 percent shall be allocated to the Sec-
23 retary of Commerce for use in funding adaptation activi-
24 ties to protect, maintain, and restore coastal, estuarine,

1 Great Lakes, and marine resources, habitats, and eco-
2 systems, including activities carried out under—

3 (1) the coastal and estuarine land conservation
4 program;

5 (2) the community-based restoration program;

6 (3) the Coastal Zone Management Act of 1972
7 (16 U.S.C. 1451 et seq.), subject to the condition
8 that State coastal agencies shall incorporate, and the
9 Secretary of Commerce shall approve, coastal zone
10 management plan elements that are—

11 (A) consistent with the National Wildlife
12 Adaptation Strategy developed by the President
13 under section 1222(a), as part of a coastal zone
14 management program established under this
15 Act; and

16 (B) specifically designed to strengthen the
17 ability of coastal, estuarine, and marine re-
18 sources, habitats, and ecosystems to adapt to
19 and withstand the impacts of—

20 (i) global warming; and

21 (ii) where practicable, ocean acidifica-
22 tion;

23 (4) the Open Rivers Initiative;

24 (5) the Magnuson Fishery Conservation and
25 Management Act (16 U.S.C. 1801 et seq.);

1 (6) the Marine Mammal Protection Act of 1972
2 (16 U.S.C. 1361 et seq.);

3 (7) the Endangered Species Act of 1973 (16
4 U.S.C. 1531 et seq.);

5 (8) the Marine Protection, Research, and Sanc-
6 tuaries Act of 1972 (33 U.S.C. 1401 et seq.); and

7 (9) the Coral Reef Conservation Act of 2000
8 (16 U.S.C. 6401 et seq.).

9 **SEC. 1237. NATIONAL ACADEMY OF SCIENCES REPORT.**

10 (a) IN GENERAL.—Not later than 1 year after the
11 date of enactment of this Act, the Secretary of the Interior
12 shall offer to enter into an arrangement with the National
13 Academy of Sciences, under which the Academy shall es-
14 tablish a panel—

15 (1) to convene multiple regional scientific
16 symposia to examine the ecological impact of climate
17 change on imperiled species in each region of the
18 United States; and

19 (2) to examine and analyze the reports, data,
20 documents, and other information produced by the
21 regional scientific symposia.

22 (b) REPORT.—

23 (1) IN GENERAL.—The National Academy of
24 Sciences shall prepare and submit to the Secretary
25 of the Interior a report that—

1 (A) incorporates the information produced
2 through the symposia described in subsection
3 (a)(1); and

4 (B) includes each component described in
5 paragraph (2).

6 (2) CONTENTS.—The report under paragraph
7 (1) shall include—

8 (A) an identification and assessment of the
9 impacts of climate change and ocean acidifica-
10 tion on imperiled species, ecosystems, and wa-
11 ters under the jurisdiction of the United States
12 (including the possessions and territories of the
13 United States);

14 (B) an identification and assessment of
15 different ecological scenarios that may result
16 from different intensities, rates, and other crit-
17 ical manifestations of climate change;

18 (C) recommendations for the responsibil-
19 ities of the Federal Government, State, local,
20 and tribal agencies, and private parties in as-
21 sisting imperiled species in adapting to, and
22 surviving the impacts of, climate change (in-
23 cluding a recommended list of prioritized reme-
24 diation actions by those agencies and parties);
25 and

1 (D) other relevant ecological information.

2 (3) PUBLIC AVAILABILITY.—The report shall be
3 made available to the public as soon as practicable
4 after the date on which the report is completed.

5 (c) USE OF REPORT BY HEADS OF CERTAIN FED-
6 ERAL AGENCIES.—The Secretaries of Agriculture, Com-
7 merce, the Interior, and Defense, and the Administrator,
8 shall take into account each recommendation contained in
9 the report under subsection (b).

10 **TITLE XIII—INTERNATIONAL**
11 **PARTNERSHIPS TO REDUCE**
12 **EMISSIONS AND ADAPT TO**
13 **CLIMATE CHANGE**

14 **Subtitle A—Promoting Fairness**
15 **While Reducing Emissions**

16 **SEC. 1301. DEFINITIONS.**

17 In this subtitle:

18 (1) BASELINE EMISSION LEVEL.—

19 (A) COVERED GOODS.—With respect to a
20 covered good of a foreign country, the term
21 “baseline emission level” means, as determined
22 by the Commission, the total annual greenhouse
23 gas emissions attributed to the category of the
24 covered good of the foreign country during cal-

1 endar year 2005, based on the best available in-
2 formation.

3 (B) COUNTRIES.—With respect to the
4 United States or a foreign country, the term
5 “baseline emission level” means, as determined
6 by the Commission, the total annual nationwide
7 greenhouse gas emissions attributed to the
8 country during calendar year 2005, based on
9 the best available information.

10 (2) BEST AVAILABLE INFORMATION.—The term
11 “best available information” means—

12 (A) all relevant data that are available for
13 a particular period; and

14 (B) to the extent necessary—

15 (i) economic and engineering models;

16 (ii) best available information on tech-
17 nology performance levels; and

18 (iii) any other useful measure or tech-
19 nique for estimating the emissions from
20 emissions activities.

21 (3) COMMISSION.—The term “Commission”
22 means the International Climate Change Commis-
23 sion established by section 1304(a).

24 (4) COMPARABLE ACTION.—

1 (A) IN GENERAL.—The term “comparable
2 action” means any greenhouse gas regulatory
3 programs, requirements, and other measures
4 adopted by a foreign country that, in combina-
5 tion, are comparable in effect to actions carried
6 out by the United States through Federal,
7 State, and local measures to limit greenhouse
8 gas emissions, as determined by the Commis-
9 sion in accordance with subparagraph (B).

10 (B) REQUIREMENTS.—For purposes of
11 subparagraph (A), the Commission shall make
12 a determination on whether a foreign country
13 has taken comparable action for a particular
14 calendar year based on the best available infor-
15 mation and in accordance with the following re-
16 quirements:

17 (i) A foreign country shall be consid-
18 ered to have taken comparable action if the
19 Commission determines that the percent-
20 age change in greenhouse gas emissions in
21 the foreign country during the relevant pe-
22 riod is equal to or greater than the per-
23 centage change in greenhouse emissions of
24 the United States during that period.

1 (ii) In the case of a foreign country
2 that is not considered to have taken com-
3 parable action under clause (i), the Com-
4 mission shall take into consideration, in
5 making a determination on comparable ac-
6 tion for that foreign country, the extent to
7 which, during the relevant period, the for-
8 eign country has implemented, verified,
9 and enforced each of the following:

10 (I) The deployment and use of
11 state-of-the-art technologies in indus-
12 trial processes, equipment manufac-
13 turing facilities, power generation and
14 other energy facilities, and consumer
15 goods (such as automobiles and appli-
16 ances), and implementation of other
17 techniques or actions, that have the
18 effect of limiting greenhouse gas emis-
19 sions of the foreign country during
20 the relevant period.

21 (II) Any regulatory programs, re-
22 quirements, and other measures that
23 the foreign country has implemented
24 to limit greenhouse gas emissions dur-
25 ing the relevant periods.

1 (iii) For determinations under clause
2 (i), the Commission shall develop rules for
3 taking into account net transfers to and
4 from the United States and the other for-
5 eign country of greenhouse gas allowances
6 and other emission credits.

7 (iv) Any determination on comparable
8 action made by the Commission under this
9 paragraph shall comply with applicable
10 international agreements.

11 (5) COMPLIANCE YEAR.—The term “compliance
12 year” means each calendar year for which the re-
13 quirements of this title apply to a category of cov-
14 ered goods of a covered foreign country that is im-
15 ported into the United States.

16 (6) COVERED FOREIGN COUNTRY.—The term
17 “covered foreign country” means a foreign country
18 that is included on the covered list prepared under
19 section 1306(b)(3).

20 (7) COVERED GOOD.—The term “covered good”
21 means a good that, as identified by the Adminis-
22 trator by regulation—

23 (A) is a primary product or manufactured
24 item for consumption;

1 (B) generates, in the course of the manu-
2 facture of the good, a substantial quantity of
3 direct greenhouse gas emissions or indirect
4 greenhouse gas emissions; and

5 (C) is closely related to a good the cost of
6 production of which in the United States is af-
7 fected by a requirement of this Act.

8 (8) ENTER; ENTRY.—The terms “enter” and
9 “entry” mean the point at which a covered good
10 passes into, or is withdrawn from a warehouse for
11 consumption in, the customs territory of the United
12 States.

13 (9) FOREIGN COUNTRY.—The term “foreign
14 country” means any country or separate customs
15 territory other than the United States.

16 (10) INDIRECT GREENHOUSE GAS EMISSIONS.—
17 The term “indirect greenhouse gas emissions”
18 means greenhouse gas emissions resulting from the
19 generation of electricity consumed in manufacturing
20 a covered good.

21 (11) INTERNATIONAL AGREEMENT.—The term
22 “international agreement” means any international
23 agreement to which the United States is a party, in-
24 cluding the Marrakesh agreement establishing the

1 World Trade Organization, done at Marrakesh on
2 April 15, 1994.

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

7 (A) purchased from a special reserve of al-
8 lowances pursuant to section 1306(a)(2); and

9 (B) used for purposes of meeting the re-
10 quirements of section 1306.

11 (13) MANUFACTURED ITEM FOR CONSUMP-
12 TION.—The term “manufactured item for consump-
13 tion” means any good or product—

14 (A) that is not a primary product;

15 (B) that generates, in the course of the
16 manufacture, a substantial quantity of direct
17 greenhouse gas emissions or indirect greenhouse
18 gas emissions, including emissions attributable
19 to the inclusion of a primary product in the
20 manufactured item for consumption; and

21 (C) for which the Commission, in consulta-
22 tion with the Administrator, determines that
23 the application of an international reserve al-
24 lowance requirement under section 1306 to the
25 particular category of goods or products is ad-

1 ministratively feasible and necessary to achieve
2 the purposes of this subtitle.

3 (14) PERCENTAGE CHANGE IN GREENHOUSE
4 GAS EMISSIONS.—The term “percentage change in
5 greenhouse gas emissions”, with respect to a coun-
6 try, means, as determined by the Commission, the
7 percentage by which greenhouse gas emissions, on a
8 nationwide basis, have decreased or increased (as the
9 case may be) as compared to the baseline emission
10 level of the country, which percentage for the coun-
11 try shall be equal to the quotient obtained by divid-
12 ing—

13 (A) the quantity of the decrease or in-
14 crease in the total nationwide greenhouse gas
15 emissions for the country, as compared to the
16 baseline emission level for the country; by

17 (B) the baseline emission level for the
18 country.

19 (15) PRIMARY PRODUCT.—The term “primary
20 product” means—

21 (A) iron, steel, steel mill products (includ-
22 ing pipe and tube), aluminum, cement, glass
23 (including flat, container, and specialty glass
24 and fiberglass), pulp, paper, chemicals, or in-
25 dustrial ceramics; and

1 (B) any other manufactured product
2 that—

3 (i) is sold in bulk for purposes of fur-
4 ther manufacture or inclusion in a finished
5 product; and

6 (ii) generates, in the course of the
7 manufacture of the product, direct green-
8 house gas emissions or indirect greenhouse
9 gas emissions that are comparable (on an
10 emissions-per-output basis) to emissions
11 generated in the manufacture of products
12 by covered entities in the industrial sector.

13 **SEC. 1302. PURPOSES.**

14 The purposes of this subtitle are—

15 (1) to promote a strong global effort to signifi-
16 cantly reduce greenhouse gas emissions;

17 (2) to ensure, to the maximum extent prac-
18 ticable, that greenhouse gas emissions occurring out-
19 side the United States do not undermine the objec-
20 tives of the United States in addressing global cli-
21 mate change; and

22 (3) to encourage effective international action
23 to achieve those objectives through—

24 (A) agreements negotiated between the
25 United States and foreign countries; and

1 (B) measures carried out by the United
2 States that comply with applicable international
3 agreements.

4 **SEC. 1303. INTERNATIONAL NEGOTIATIONS.**

5 (a) FINDING.—Congress finds that the purposes de-
6 scribed in section 1302 can be most effectively addressed
7 and achieved through agreements negotiated between the
8 United States and foreign countries.

9 (b) NEGOTIATING OBJECTIVE.—

10 (1) STATEMENT OF POLICY.—It is the policy of
11 the United States to work proactively under the
12 United Nations Framework Convention on Climate
13 Change and, in other appropriate forums, to estab-
14 lish binding agreements committing all major green-
15 house gas-emitting nations to contribute equitably to
16 the reduction of global greenhouse gas emissions.

17 (2) INTENT OF CONGRESS REGARDING OBJEC-
18 TIVE.—To the extent that the agreements described
19 in subsection (a) involve measures that will affect
20 international trade in any good or service, it is the
21 intent of Congress that—

22 (A) the negotiating objective of the United
23 States shall be to focus multilateral and bilat-
24 eral international agreements on the reduction
25 of greenhouse gas emissions to advance achieve-

1 ment of the purposes described in section 1302;
2 and

3 (B) the United States should attempt to
4 achieve that objective through the negotiation of
5 international agreements that—

6 (i) with respect to foreign countries
7 that are not taking comparable action, pro-
8 mote the adoption of regulatory programs,
9 requirements, and other measures that are
10 comparable in effect to the actions carried
11 out by the United States to limit green-
12 house gas emissions on a nationwide basis;
13 and

14 (ii) with respect to foreign countries
15 that are taking comparable action, promote
16 the adoption of requirements similar in ef-
17 fect to the requirements of this subtitle to
18 advance the achievement of the purposes
19 described in section 1302.

20 (c) NOTIFICATION TO FOREIGN COUNTRIES.—As
21 soon as practicable after the date of enactment of this Act,
22 the President shall provide to each applicable foreign
23 country a notification of the negotiating objective of
24 United States described in subsection (b), including—

1 pointed by the President, by and with the ad-
2 vice and consent of the Senate.

3 (B) REQUIREMENTS.—Each commissioner
4 shall—

5 (i) be a citizen of the United States;

6 and

7 (ii) have the required qualifications
8 for developing knowledge and expertise re-
9 lating to international climate change mat-
10 ters, as the President determines to be
11 necessary for performing the duties of the
12 Commission under this subtitle.

13 (2) APPOINTMENT OF COMMISSIONERS.—

14 (A) IN GENERAL.—Not later than 90 days
15 after the date of enactment of this Act, the
16 President shall appoint the commissioners to
17 the Commission in accordance with this sub-
18 section.

19 (B) FAILURE TO APPOINT.—

20 (i) IN GENERAL.—If the President
21 fails to appoint 1 or more commissioners
22 by the deadline described in subparagraph
23 (A), the International Trade Commission
24 shall appoint the remaining commissioners

1 by not later than 180 days after the date
2 of enactment of this Act.

3 (ii) TERMINATION OF AUTHORITY.—

4 On appointment of a commissioner by the
5 International Trade Commission under
6 clause (i), the authority of the President to
7 appoint commissioners under this sub-
8 section shall terminate.

9 (3) POLITICAL AFFILIATION.—

10 (A) IN GENERAL.—Not more than 3 com-
11 missioners serving at any time shall be affili-
12 ated with the same political party.

13 (B) REQUIREMENT.—In appointing com-
14 missioners to the Commission, the President or
15 the International Trade Commission, as appli-
16 cable, shall alternately appoint commissioners
17 from each political party, to the maximum ex-
18 tent practicable.

19 (4) TERM OF COMMISSIONERS; REAPPOINT-
20 MENT.—

21 (A) IN GENERAL.—The term of a commis-
22 sioner shall be 12 years, except that the com-
23 missioners first appointed under paragraph (2)
24 shall be appointed to the Commission in a man-
25 ner that ensures that—

1 (i) the term of not more than 1 com-
2 missioner shall expire during any 2-year
3 period; and

4 (ii) no commissioner serves a term of
5 more than 12 years.

6 (B) SERVICE UNTIL NEW APPOINTMENT.—

7 The term of a commissioner shall continue after
8 the expiration of the term of the commissioner
9 until the date on which a replacement is ap-
10 pointed by the President and confirmed by the
11 Senate.

12 (C) VACANCY.—Any commissioner ap-
13 pointed to fill a vacancy occurring before the
14 expiration of the term for which the predecessor
15 was appointed shall be appointed for the re-
16 mainder of the term.

17 (D) REAPPOINTMENT.—An individual who
18 has served as a commissioner for a term of
19 more than 7 years shall not be eligible for re-
20 appointment.

21 (5) CHAIRPERSON AND VICE-CHAIRPERSON.—

22 (A) DESIGNATION.—

23 (i) IN GENERAL.—The President shall
24 designate a Chairperson and Vice Chair-
25 person of the Commission from the com-

1 missioners that are eligible for designation
2 under subparagraph (C).

3 (ii) FAILURE TO DESIGNATE.—If the
4 President fails to designate a Chairperson
5 under clause (i), the commissioner with the
6 longest period of continuous service on the
7 Commission shall serve as Chairperson.

8 (B) TERM OF SERVICE.—The Chairperson
9 and Vice-Chairperson shall each serve for a
10 term of 4 years.

11 (C) ELIGIBILITY REQUIREMENTS.—

12 (i) CHAIRPERSON.—The President
13 may designate as Chairperson of the Com-
14 mission any commissioner who—

15 (I) is not affiliated with the polit-
16 ical party with which the Chairperson
17 of the Commission for the imme-
18 diately preceding year was affiliated;
19 and

20 (II) except in the case of the first
21 commissioners appointed to the Com-
22 mission, has served on the Commis-
23 sion for not less than 1 year.

24 (ii) VICE-CHAIRPERSON.—The Presi-
25 dent may designate as the Vice Chair-

1 person of the Commission any commis-
2 sioner who is not affiliated with the polit-
3 ical party with which the Chairperson is
4 affiliated.

5 (6) QUORUM.—A majority of commissioners
6 shall constitute a quorum.

7 (7) VOTING.—

8 (A) REQUIREMENT.—The Commission
9 shall not carry out any duty or power of the
10 Commission unless—

11 (i) a quorum is present at the relevant
12 public meeting of the Commission; and

13 (ii) a majority of commissioners com-
14 prising the quorum, and any commissioner
15 voting by proxy, votes to carry out the
16 duty or function.

17 (B) EQUALLY DIVIDED VOTES.—With re-
18 spect to a determination of the Commission re-
19 garding whether a foreign country has taken
20 comparable action under section 1305, if the
21 votes of the commissioners are equally divided,
22 the foreign country shall be considered not to
23 have taken comparable action.

24 (c) DUTIES.—The Commission shall—

1 (1) determine whether foreign countries are
2 taking comparable action under section 1305;

3 (2) establish foreign country lists under section
4 1306(b);

5 (3) classify categories of goods and products as
6 manufactured items for consumption in accordance
7 with the requirements of section 1301(13);

8 (4) determine the economic adjustment ratio
9 that applies to covered goods of covered foreign
10 countries under section 1306(d)(4);

11 (5) adjust the international reserve allowance
12 requirements pursuant to section 1307; and

13 (6) carry out such other activities as the Com-
14 mission determines to be appropriate to implement
15 this subtitle.

16 (d) POWERS.—

17 (1) PENALTY FOR NONCOMPLIANCE.—The
18 Commission may impose an excess emissions penalty
19 on a United States importer of covered goods if that
20 importer fails to submit the required number of
21 international reserve allowances, as specified in sec-
22 tion 1306, in an amount equal to the excess emis-
23 sions penalty that an owner or operator of a covered
24 entity would be required to submit for noncompli-
25 ance under section 203.

1 (2) PROHIBITION ON IMPORTERS.—The Com-
2 mission may prohibit a United States importer from
3 entering covered goods for a period not to exceed 5
4 years, if the importer—

5 (A) fails to pay a penalty for noncompli-
6 ance imposed under paragraph (1); or

7 (B) submits a written declaration under
8 section 1306(e) that provides false or mis-
9 leading information for the purpose of circum-
10 venting the international reserve requirements
11 of this subtitle.

12 (3) DELEGATION TO BICE.—

13 (A) IN GENERAL.—The Commission, as
14 appropriate, may delegate to the Bureau of Im-
15 migration and Customs Enforcement any power
16 of the Commission under this subsection.

17 (B) ENFORCEMENT.—On delegation by the
18 Commission of a power under subparagraph
19 (A), the Bureau of Immigration and Customs
20 Enforcement shall carry out the power in ac-
21 cordance with such procedures and require-
22 ments as the Commission may establish.

23 **SEC. 1305. DETERMINATIONS ON COMPARABLE ACTION.**

24 (a) IN GENERAL.—Not later than July 1, 2013, and
25 annually thereafter, the Commission shall determine

1 whether, and the extent to which, each foreign country
2 that is not exempted under subsection (b) has taken com-
3 parable action to limit the greenhouse gas emissions of
4 the foreign country, based on best available information
5 and a comparison between actions that—

6 (1) the foreign country carried out during the
7 calendar year immediately preceding the calendar
8 year in which the Commission is making a deter-
9 mination under this subsection; and

10 (2) the United States carried out during the
11 calendar year immediately preceding the calendar
12 year referred to in paragraph (1).

13 (b) EXEMPTION.—The Commission shall exempt
14 from a determination under subsection (a) for a calendar
15 year any foreign country that is placed on the excluded
16 list pursuant to clause (ii) or (iii) of section 1306(b)(2)(A)
17 for that calendar year.

18 (c) REPORTS.—The Commission shall, as expedi-
19 tiously as practicable—

20 (1) submit to the President and Congress an
21 annual report describing the determinations of the
22 Commission under subsection (a) for the most recent
23 calendar year; and

24 (2) publish a description of the determinations
25 in the Federal Register.

1 **SEC. 1306. INTERNATIONAL RESERVE ALLOWANCE PRO-**
2 **GRAM.**

3 (a) ESTABLISHMENT.—

4 (1) IN GENERAL.—The Administrator shall es-
5 tablish a program under which the Administrator
6 shall offer for sale to United States importers inter-
7 national reserve allowances in accordance with this
8 subsection.

9 (2) SOURCE.—International reserve allowances
10 under paragraph (1) shall be issued from a special
11 reserve of allowances that is separate from, and es-
12 tablished in addition to, the quantity of allowances
13 established pursuant to section 201(a).

14 (3) DATE OF SALE.—A United States importer
15 shall be able to purchase international reserve allow-
16 ances under this subsection by not later than the
17 earliest date on which the Administrator distributes
18 allowances under any of titles V through XI.

19 (4) PRICE.—

20 (A) IN GENERAL.—The Administrator
21 shall establish, by regulation, a methodology for
22 determining the daily price of international re-
23 serve allowances for sale under paragraph (1).

24 (B) REQUIREMENT.—The methodology
25 under subparagraph (A) shall require the Ad-
26 ministrator—

1 (i) not later than the date on which
2 importers may first purchase international
3 allowances under paragraph (3), and annu-
4 ally thereafter, to identify 3 leading pub-
5 licly reported daily price indices for the
6 sale of emission allowances established
7 pursuant to section 201(a); and

8 (ii) for each day on which inter-
9 national reserve allowances are offered for
10 sale under this subsection, to establish the
11 price of the allowances in an amount equal
12 to the arithmetic mean of the market
13 clearing price for an allowance for the pre-
14 ceding day pursuant to section 201(a) on
15 the indices identified under clause (i).

16 (5) SERIAL NUMBER.—The Administrator shall
17 assign a unique serial number to each international
18 reserve allowance issued under this subsection.

19 (6) TRADING SYSTEM.—The Administrator may
20 establish, by regulation, a system for the sale, ex-
21 change, purchase, transfer, and banking of inter-
22 national reserve allowances.

23 (7) COVERED ENTITIES.—International reserve
24 allowances may not be submitted by covered entities

1 to comply with the allowance submission require-
2 ments of section 202.

3 (8) PROCEEDS.—Subject to appropriation, all
4 proceeds from the sale of international reserve allow-
5 ances under this subsection shall be allocated to
6 carry out a program that the Administrator, in co-
7 ordination with the Secretary of State, shall estab-
8 lish to mitigate negative impacts of climate change
9 on disadvantaged communities in foreign countries.

10 (b) FOREIGN COUNTRY LISTS.—

11 (1) IN GENERAL.—Not later than January 1 of
12 the third calendar year for which emission allow-
13 ances are required to be submitted under section
14 202, and annually thereafter, the Commission shall
15 develop and publish in the Federal Register 2 lists
16 of foreign countries, in accordance with this sub-
17 section.

18 (2) EXCLUDED LIST.—

19 (A) IN GENERAL.—The Commission shall
20 identify and publish in a list, to be known as
21 the “excluded list” the name of—

22 (i) each foreign country determined by
23 the Commission under section 1305(a) to
24 have taken action comparable to that taken

1 by the United States to limit the green-
2 house gas emissions of the foreign country;

3 (ii) each foreign country identified by
4 the United Nations as among the least-de-
5 veloped developing countries; and

6 (iii) each foreign country the share of
7 total global greenhouse gas emissions of
8 which is below the de minimis percentage
9 described in subparagraph (B).

10 (B) DE MINIMIS PERCENTAGE.—

11 (i) IN GENERAL.—The de minimis
12 percentage referred to in subparagraph
13 (A)(iii) shall be a percentage of total global
14 greenhouse gas emissions of not more than
15 0.5, as determined by the Commission, for
16 the most recent calendar year for which
17 emissions and other relevant data are
18 available.

19 (ii) REQUIREMENT.—The Commission
20 shall place a foreign country on the ex-
21 cluded list under subparagraph (A)(iii)
22 only if the de minimis percentage is not ex-
23 ceeded in 2 distinct determinations of the
24 Commission—

1 (I) 1 of which reflects the annual
2 average deforestation rate during a
3 representative period for the United
4 States and each foreign country; and
5 (II) 1 of which does not reflect
6 that annual average deforestation
7 rate.

8 (3) COVERED LIST.—

9 (A) IN GENERAL.—The Commission shall
10 identify and publish in a list, to be known as
11 the “covered list”, the name of each foreign
12 country the covered goods of which are subject
13 to the requirements of this section.

14 (B) REQUIREMENT.—The covered list shall
15 include each foreign country that is not in-
16 cluded on the excluded list under paragraph
17 (2).

18 (c) WRITTEN DECLARATIONS.—

19 (1) IN GENERAL.—Effective beginning January
20 1, 2014, a United States importer of any covered
21 good shall, as a condition of entry of the covered
22 good into the United States, submit to the Adminis-
23 trator and the Bureau of Immigration and Customs
24 Enforcement a written declaration with respect to
25 the entry of such good, including a compliance state-

1 ment, supporting documentation, and deposit in ac-
2 cordance with this subsection.

3 (2) COMPLIANCE STATEMENT.—A written dec-
4 laration under paragraph (1) shall include a state-
5 ment certifying that the applicable covered good is—

6 (A) subject to the international reserve al-
7 lowance requirements of this section and accom-
8 panied by the appropriate supporting docu-
9 mentation and deposit, as required under para-
10 graph (3); or

11 (B) exempted from the international re-
12 serve allowance requirements of this section and
13 accompanied by a certification that the good
14 was not manufactured or processed in any for-
15 eign country that is on the covered list under
16 subsection (b)(3).

17 (3) DOCUMENTATION AND DEPOSIT.—If an im-
18 porter cannot certify that a covered good is exempt-
19 ed under paragraph (2)(B), the written declaration
20 for the covered good shall include—

21 (A) an identification of each foreign coun-
22 try in which the covered good was manufac-
23 tured or processed;

24 (B) a brief description of the extent to
25 which the covered good was manufactured or

1 processed in each foreign country identified
2 under subparagraph (A);

3 (C) an estimate of the number of inter-
4 national reserve allowances that are required
5 for entry of the covered good into the United
6 States under subsection (d); and

7 (D) at the election of the importer, the de-
8 posit of —

9 (i) international reserve allowances in
10 a quantity equal to the estimated number
11 required for entry under subparagraph (C);

12 or

13 (ii) a bond, other security, or cash in
14 an amount sufficient to cover the purchase
15 of the estimated number of international
16 reserve allowances under subparagraph
17 (C).

18 (4) FINAL ASSESSMENT.—

19 (A) IN GENERAL.—Not later than 180
20 days after the date of submission of the written
21 declaration and entry of a covered good under
22 paragraph (1), the Administrator shall make a
23 final assessment of the international reserve al-
24 lowance requirement for the covered good under
25 this section.

1 (B) REQUIREMENT.—A final assessment
2 under subparagraph (A) with respect to a cov-
3 ered good shall specify—

4 (i) the total number of international
5 reserve allowances that are required for
6 entry of the covered good; and

7 (ii) the difference between—

8 (I) the amount of the deposit
9 under paragraph (3)(D); and

10 (II) the final assessment.

11 (C) RECONCILIATION.—

12 (i) ALLOWANCE DEPOSIT.—

13 (I) IN GENERAL.—The Bureau of
14 Immigration and Customs Enforce-
15 ment shall—

16 (aa) promptly reconcile the
17 final assessment under subpara-
18 graph (A) with the quantity of
19 international reserve allowances
20 deposited under paragraph
21 (3)(D)(i); and

22 (bb) provide a notification of
23 the reconciliation to the Adminis-
24 trator and each affected im-
25 porter.

1 (II) EXCESS ALLOWANCES.—If
2 the quantity of international reserve
3 allowances deposited under paragraph
4 (3)(D)(i) exceed the quantity de-
5 scribed in the final assessment, the
6 Bureau of Immigration and Customs
7 Enforcement shall refund the excess
8 quantity of allowances.

9 (III) INSUFFICIENT ALLOW-
10 ANCES.—If the quantity of inter-
11 national reserve allowances described
12 in the final assessment exceeds the
13 quantity of allowances deposited
14 under paragraph (3)(D)(i), the appli-
15 cable importer shall submit to the Ad-
16 ministrator international reserve al-
17 lowances sufficient to satisfy the final
18 assessment by not later than 14 days
19 after the date on which the notice
20 under subclause (I)(bb) is provided.

21 (ii) BOND, SECURITY, OR CASH DE-
22 POSIT.—

23 (I) IN GENERAL.—If an importer
24 has submitted a bond, security, or
25 cash deposit under paragraph

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1 (3)(D)(ii), the Bureau of Immigration
2 and Customs Enforcement shall use
3 the deposit to purchase a sufficient
4 number of international reserve allow-
5 ances, as determined in the final as-
6 sessment under subparagraph (A).

7 (II) INSUFFICIENT DEPOSIT.—To
8 the extent that the amount of the de-
9 posit fails to cover the purchase of
10 sufficient international reserve allow-
11 ances under subclause (I), the im-
12 porter shall submit such additional al-
13 lowances as are necessary to cover the
14 shortage.

15 (III) EXCESS DEPOSIT.—To the
16 extent that the amount of the deposit
17 exceeds the price of international re-
18 serve allowances required under the
19 final assessment, the Bureau of Immi-
20 gration and Customs Enforcement
21 shall refund to the importer the un-
22 used portion of the deposit.

23 (5) INCLUSION.—A written declaration required
24 under this subsection shall include the unique serial

1 number of each emission allowance associated with
2 the entry of the applicable covered good.

3 (6) FAILURE TO DECLARE.—A covered good
4 that is not accompanied by a written declaration
5 that meets the requirements of this subsection shall
6 not be permitted to enter the United States.

7 (7) CORRECTED DECLARATION.—

8 (A) IN GENERAL.—If, after making a dec-
9 laration required under this subsection, an im-
10 porter has reason to believe that the declaration
11 contains information that is not correct, the im-
12 porter shall provide a corrected declaration by
13 not later than 30 days after the date of dis-
14 covery of the error, in accordance with subpara-
15 graph (B).

16 (B) METHOD.—A corrected declaration
17 under subparagraph (A) shall be in the form of
18 a letter or other written statement to the Ad-
19 ministrator and the office of the Bureau of Im-
20 migration and Customs Enforcement to which
21 the original declaration was submitted.

22 (d) QUANTITY OF ALLOWANCES REQUIRED.—

23 (1) METHODOLOGY.—

24 (A) IN GENERAL.—The Administrator
25 shall establish, by regulation, a method for cal-

1 culating the required number of international
2 reserve allowances that a United States im-
3 porter is required to submit, together with a
4 written declaration under subsection (c), for
5 each category of covered goods of each covered
6 foreign country.

7 (B) REQUIREMENTS.—The method shall—

8 (i) apply to covered goods that are
9 manufactured and processed entirely in a
10 single covered foreign country; and

11 (ii) require submission for a compli-
12 ance year of the quantity of international
13 reserve allowances described in paragraph
14 (2) for calculating the international reserve
15 allowance requirement on a per-unit basis
16 for each category of covered goods that are
17 entered into the United States from that
18 covered foreign country during each com-
19 pliance year.

20 (2) GENERAL FORMULA.—The quantity of
21 international reserve allowances required to be sub-
22 mitted for a compliance year referred to in para-
23 graph (1) shall be the product obtained by multi-
24 plying—

1 (A) the national greenhouse gas intensity
2 rate for each category of covered goods of each
3 covered foreign country for the compliance year,
4 as determined by the Administrator under para-
5 graph (3);

6 (B) the allowance adjustment factor for
7 the industry sector of the covered foreign coun-
8 try that manufactured the covered goods en-
9 tered into the United States, as determined by
10 the Administrator under paragraph (4); and

11 (C) the economic adjustment ratio for the
12 covered foreign country, as determined by the
13 Commission under paragraph (5).

14 (3) NATIONAL GREENHOUSE GAS INTENSITY
15 RATE.—The national greenhouse gas intensity rate
16 for a covered foreign country under paragraph
17 (2)(A), on a per-unit basis, shall be the quotient ob-
18 tained by dividing—

19 (A) the total quantity of direct greenhouse
20 gas emissions and indirect greenhouse gas emis-
21 sions that are attributable to a category of cov-
22 ered goods of a covered foreign country during
23 the most recent calendar year (as adjusted to
24 exclude those emissions that would not be sub-
25 ject to the allowance submission requirements

1 of section 202 for the category of covered goods
2 if manufactured in the United States); by

3 (B) total number of units of the covered
4 good that are produced in the covered foreign
5 country during that calendar year.

6 (4) ALLOWANCE ADJUSTMENT FACTOR.—

7 (A) GENERAL FORMULA.—The allowance
8 adjustment factor for a covered foreign country
9 under paragraph (2)(B) shall be equal to 1
10 minus the ratio that—

11 (i) the number of allowances, as deter-
12 mined by the Administrator under sub-
13 paragraph (B), that an industry sector of
14 the covered foreign country would have re-
15 ceived at no cost if the allowances were al-
16 located in the same manner in which allow-
17 ances are allocated at no cost under titles
18 V through XI to that industry sector of the
19 United States; bears to

20 (ii) the total quantity of direct green-
21 house gas emissions and indirect green-
22 house gas emissions that are attributable
23 to a category of covered goods of a covered
24 foreign country during a particular compli-
25 ance year.

1 (B) ALLOWANCES ALLOCATED AT NO
2 COST.—For purposes of subparagraph (A)(i),
3 the number of allowances that would have been
4 allocated at no cost to an industry sector of a
5 covered foreign country shall be equal to the
6 product obtained by multiplying—

7 (i) the baseline emission level that the
8 Commission has attributed to a category of
9 covered goods of the covered foreign coun-
10 try; and

11 (ii) the ratio that—

12 (I) the quantity of allowances
13 that are allocated at no cost under ti-
14 tles V through XI to entities in the in-
15 dustry sector that manufactures the
16 covered goods for the compliance year
17 during which the covered goods were
18 entered into the United States; bears
19 to

20 (II) the total quantity of direct
21 greenhouse gas emissions and indirect
22 greenhouse gas emissions of that sec-
23 tor during the same compliance year.

24 (5) ECONOMIC ADJUSTMENT RATIO.—The eco-
25 nomic adjustment ratio for a covered foreign country

1 under paragraph (2)(C) shall be 1, except in any
2 case in which the Commission determines to de-
3 crease the ratio in order to account for the extent
4 to which, during the relevant period, the foreign
5 country has implemented, verified, and enforced
6 each of the following:

7 (A) The deployment and use of state-of-
8 the-art technologies in industrial processes,
9 equipment manufacturing facilities, power gen-
10 eration and other energy facilities, consumer
11 goods (such as automobiles and appliances) and
12 other techniques or actions that limit the green-
13 house gas emissions of the covered foreign
14 country during the relevant period.

15 (B) Any regulatory programs, require-
16 ments, and other measures that the foreign
17 country has implemented to limit greenhouse
18 gas emissions during the relevant period.

19 (6) ANNUAL CALCULATION.—The Adminis-
20 trator shall—

21 (A) calculate the international reserve al-
22 lowance requirements for each compliance year
23 based on the best available information; and

24 (B) annually revise the applicable inter-
25 national reserve allowance requirements to re-

1 flect changes in the variables of the formulas
2 described in this subsection.

3 (7) PUBLICATION.—Not later than 90 days be-
4 fore the beginning of each compliance year, the Ad-
5 ministrator shall publish in the Federal Register a
6 schedule describing the required number of inter-
7 national reserve allowances for each category of im-
8 ported covered goods of each covered foreign coun-
9 try, as calculated under this subsection.

10 (8) COVERED GOODS FROM MULTIPLE COUN-
11 TRIES.—

12 (A) IN GENERAL.—The Administrator
13 shall establish, by regulation, procedures for de-
14 termining the number of the international re-
15 serve allowances that a United States importer
16 is required to submit under this section for a
17 category of covered goods that are—

18 (i) primary products; and

19 (ii) manufactured or processed in
20 more than 1 foreign country.

21 (B) REQUIREMENTS.—

22 (i) IN GENERAL.—Except as provided
23 in clause (ii), the procedures established
24 under subparagraph (A) shall require an
25 importer—

1 (I) to determine, for each covered
2 foreign country listed in the written
3 declaration of the importer under sub-
4 section (c)(2)(B), the number of inter-
5 national reserve allowances required
6 under this subsection for the category
7 of covered goods manufactured and
8 processed entirely in that covered for-
9 eign country for the compliance year;
10 and

11 (II) of the international reserve
12 allowance requirements applicable to
13 each relevant covered foreign country,
14 to apply the requirement that requires
15 the highest number of international
16 reserve allowances for the category of
17 covered goods.

18 (C) EXCEPTION.—

19 (i) IN GENERAL.—The requirements
20 of clause (i) shall not apply if, on request
21 by an importer, the Administrator applies
22 an alternate method for establishing the
23 requirement.

24 (ii) REQUIREMENT FOR APPLICA-
25 TION.—The Administrator shall apply an

1 alternate method for establishing a re-
2 quirement under clause (i) only if the ap-
3 plicable importer demonstrates in an ad-
4 ministrative hearing by a preponderance of
5 evidence that the alternate method will es-
6 tablish an international reserve allowance
7 requirement that is more representative
8 than the requirement that would otherwise
9 apply under clause (i).

10 (D) ADMINISTRATIVE HEARING.—The Ad-
11 ministrator shall establish procedures for ad-
12 ministrative hearings under subparagraph
13 (C)(ii) to ensure that—

14 (i) all evidence submitted by an im-
15 porter will be subject to verification by the
16 Administrator;

17 (ii) domestic manufactures of the cat-
18 egory of covered goods subject to the ad-
19 ministrative hearing will have an oppor-
20 tunity to review and comment on evidence
21 submitted by the importer; and

22 (iii) appropriate penalties will be as-
23 sessed in cases in which the importer has
24 submitted information that is false or mis-
25 leading.

1 (e) FOREIGN ALLOWANCES AND CREDITS.—

2 (1) FOREIGN ALLOWANCES.—

3 (A) IN GENERAL.—A United States im-
4 porter may submit, in lieu of an international
5 reserve allowance issued under this section, a
6 foreign allowance or similar compliance instru-
7 ment distributed by a foreign country pursuant
8 to a cap-and-trade program that constitutes
9 comparable action.

10 (B) COMMENSURATE CAP-AND-TRADE PRO-
11 GRAM.—For purposes of subparagraph (A), a
12 cap-and-trade program that constitutes com-
13 parable action shall include any greenhouse gas
14 regulatory program adopted by a covered for-
15 eign country to limit the greenhouse gas emis-
16 sions of the covered foreign country, if the Ad-
17 ministrator certifies that the program—

18 (i)(I) places a quantitative limitation
19 on the total quantity of greenhouse gas
20 emissions of the covered foreign country
21 (expressed in terms of tons emitted per
22 calendar year); and

23 (II) achieves that limitation through
24 an allowance trading system;

1 (ii) satisfies such criteria as the Ad-
2 ministrator may establish for requirements
3 relating to the enforceability of the cap-
4 and-trade program, including requirements
5 for monitoring, reporting, verification pro-
6 cedures, and allowance tracking; and

7 (iii) is a comparable action.

8 (2) FOREIGN CREDITS.—

9 (A) IN GENERAL.—A United States im-
10 porter may submit, in lieu of an international
11 reserve allowance issued under this section, an
12 international offset that the Administrator has
13 authorized for use under subtitle B of title III
14 or subtitle B of this title.

15 (B) APPLICATION.—The limitation on the
16 use of international reserve allowances by cov-
17 ered entities under subsection (a)(7) shall not
18 apply to a United States importer for purposes
19 of this paragraph.

20 (f) RETIREMENT OF ALLOWANCES.—The Adminis-
21 trator shall retire each international reserve allowance,
22 foreign allowance, and international offset submitted to
23 achieve compliance with this section.

24 (g) TERMINATION.—The international reserve allow-
25 ance requirements of this section shall cease to apply to

1 a covered good of a covered foreign country if the Commis-
2 sion places the covered foreign country on the excluded
3 list under subsection (b)(2).

4 (h) FINAL REGULATIONS.—Not later than January
5 1, 2013, the Administrator, in consultation with the Com-
6 mission, shall promulgate such regulations as the Admin-
7 istrator determines to be necessary to carry out this sec-
8 tion.

9 **SEC. 1307. ADJUSTMENT OF INTERNATIONAL RESERVE AL-**
10 **LOWANCE REQUIREMENTS.**

11 (a) IN GENERAL.—Not later than January 1, 2017,
12 and annually thereafter, the Commission shall prepare and
13 submit to the President and Congress a report that as-
14 sesses the effectiveness of the international reserve allow-
15 ance requirements under section 1306 with respect to—

16 (1) covered goods entered into the United
17 States from each foreign country included on the
18 covered list under section 1306(b)(3); and

19 (2) the production of covered goods in those
20 foreign countries that are incorporated into manu-
21 factured goods that are subsequently entered into
22 the United States.

23 (b) INADEQUATE REQUIREMENTS.—If the Commis-
24 sion determines that an applicable international reserve al-
25 lowance requirement is not adequate to achieve the pur-

1 poses of this subtitle, the Commission shall include in the
2 report under subsection (a) recommendations—

3 (1) to increase the stringency or otherwise im-
4 prove the effectiveness of the applicable require-
5 ments in a manner that ensures compliance with all
6 applicable international agreements;

7 (2) to address greenhouse gas emissions attrib-
8 utable to the production of manufactured items for
9 consumption that are not subject to the inter-
10 national reserve allowance requirements under sec-
11 tion 1306; or

12 (3) to take such other action as the Commission
13 determines to be necessary to address greenhouse
14 gas emissions attributable to the production of cov-
15 ered goods in covered foreign countries, in compli-
16 ance with all applicable international agreements.

17 (c) REVISED REGULATIONS.—The Administrator, in
18 consultation with the Commission, shall promulgate re-
19 vised regulations to implement the recommended changes
20 to improve the effectiveness of the international reserve
21 allowance requirements under subsection (b).

22 (d) EFFECTIVE DATE.—Any revisions made pursu-
23 ant to subsection (c) shall take effect on January 1 of
24 the compliance year immediately following the date on
25 which the revision is made.

1 **Subtitle B—International Partner-**
2 **ships to Reduce Deforestation**
3 **and Forest Degradation**

4 **SEC. 1311. FINDINGS; PURPOSE.**

5 (a) FINDINGS.—Congress finds that—

6 (1) changes in land use patterns and forest sec-
7 tor emissions account for approximately 20 percent
8 of global greenhouse gas emissions;

9 (2) land conversion and deforestation are 2 of
10 the largest sources of greenhouse gas emissions in
11 the developing world, comprising approximately 40
12 percent of the total greenhouse gas emissions of the
13 developing world;

14 (3) with sufficient data, deforestation and for-
15 est degradation rates and forest carbon stocks can
16 be measured with an acceptable degree of uncer-
17 tainty;

18 (4) encouraging reduced deforestation and re-
19 duced forest degradation in foreign countries
20 could—

21 (A) provide critical leverage to encourage
22 voluntary participation by developing countries
23 in emission limitation regimes;

1 (B) facilitate greater overall reductions in
2 greenhouse gas emissions than otherwise would
3 be practicable; and

4 (C) substantially benefit biodiversity, con-
5 servation, and indigenous and other forest-de-
6 pendent people in developing countries;

7 (5) in addition to forest carbon activities that
8 can be readily measured, monitored, and verified
9 through national-scale programs and projects, there
10 is great value in reducing emissions and sequestering
11 carbon through forest carbon projects in countries
12 that lack the institutional arrangements to support
13 national-scale accounting of forest carbon stocks;
14 and

15 (6) providing emission allowances in support of
16 projects in countries that lack fully developed insti-
17 tutions for national-scale accounting could help to
18 build capacity in those countries, sequester addi-
19 tional carbon, and increase participation by devel-
20 oping countries in international climate agreements.

21 (b) PURPOSE.—The purpose of this subtitle is to re-
22 duce greenhouse gas emissions by reducing deforestation
23 and forest degradation in foreign countries in a manner
24 that reduces the costs imposed by this Act on covered enti-
25 ties in the United States.

1 **SEC. 1312. CAPACITY BUILDING PROGRAM.**

2 (a) ESTABLISHMENT.—Not later than 2 years after
3 the date of enactment of this Act, the Administrator, in
4 consultation with the Secretary of the Interior, the Sec-
5 retary of State, and the Secretary of Agriculture, shall
6 promulgate regulations to establish programs under which
7 the Administrator shall provide emission allowances allo-
8 cated pursuant to subsection (b) to individuals and entities
9 (including foreign governments) carrying out projects in
10 foreign countries as described in sections 1313 and 1314.

11 (b) ALLOCATION.—Not later than 330 days before
12 January 1 of each of calendar years 2012 through 2050,
13 the Administrator shall allocate for distribution under this
14 section 1 percent of the aggregate quantity of emission
15 allowances established for the applicable calendar year
16 pursuant to section 201(a).

17 **SEC. 1313. FOREST CARBON ACTIVITIES.**

18 (a) ELIGIBILITY REQUIREMENTS.—

19 (1) IN GENERAL.—Not later than 2 years after
20 the date of enactment of this Act, the Administrator,
21 in consultation with the Secretary of the Interior,
22 the Secretary of State, and the Secretary of Agri-
23 culture, shall promulgate regulations establishing eli-
24 gibility requirements for the allocation of emission
25 allowances under this subsection for forest carbon
26 activities directed at sequestration of carbon through

1 restoration of forests and degraded land,
2 afforestation, and improved forest management in
3 countries other than the United States, including re-
4 quirements that those activities shall be—

5 (A) carried out and managed in accordance
6 with widely-accepted environmentally sustain-
7 able forestry practices; and

8 (B) designed—

9 (i) to promote native species and res-
10 toration of native forests, where prac-
11 ticable;

12 (ii) to avoid the introduction of
13 invasive nonnative species;

14 (iii) so as not to adversely impact or
15 undermine the rights (including inter-
16 nationally recognized rights) of indigenous
17 and other forest-dependent individuals re-
18 siding in the affected areas; and

19 (iv) in a manner that ensures that
20 local communities—

21 (I) are provided the right of free,
22 prior, informed consent regarding
23 projects or other activities;

1 (II) are able to share equitably in
2 profits or other benefits of the activi-
3 ties; and

4 (III) receive fair compensation
5 for any damages resulting from the
6 activities.

7 (2) QUALITY CRITERIA FOR FOREST CARBON
8 ALLOCATIONS.—The regulations promulgated pursu-
9 ant to paragraph (1) shall include requirements to
10 ensure that the emission reductions or sequestra-
11 tions of a forest carbon activity that receives emis-
12 sion allowances under this section are real, perma-
13 nent, additional, verifiable, and enforceable, with re-
14 liable measuring and monitoring and appropriate ac-
15 counting for leakage.

16 (b) PEATLAND AND OTHER NATURAL LAND THAT
17 SEQUESTER CARBON.—The Administrator may provide
18 emission allowances under this section for a project for
19 storage of carbon in peatland or other natural land if the
20 Administrator—

21 (1) determines that—

22 (A) the peatland or other natural land is
23 capable of storing carbon; and

24 (B) the project for storage of carbon in the
25 peatland or other natural land is capable of

1 meeting the quality criteria described in sub-
2 section (a); and

3 (2) provides notice and an opportunity for pub-
4 lic comment regarding the project.

5 (c) RECOGNITION OF FOREST CARBON ACTIVI-
6 TIES.—With respect to foreign countries other than the
7 foreign countries described in subsection (a) or (b), the
8 Administrator—

9 (1) shall recognize any forest carbon activities
10 of the foreign country, subject to the quality criteria
11 for forest carbon activities described in subsection
12 (b); and

13 (2) is encouraged to identify other incentives,
14 including economic and market-based incentives, to
15 encourage developing countries with largely intact
16 native forests to protect those forests.

17 (d) OTHER FOREST CARBON ACTIVITIES.—A forest
18 carbon activity other than a reduction in deforestation or
19 forest degradation shall be eligible for a distribution of
20 emission allowances under this section, subject to the eligi-
21 bility requirements and quality criteria for forest carbon
22 activities described in subsection (a) or other regulations
23 promulgated pursuant to this Act.

1 **SEC. 1314. ESTABLISHING AND DISTRIBUTING OFFSET AL-**
2 **LOWANCES.**

3 (a) REGULATIONS.—Not later than 2 years after the
4 date of enactment of this Act, the Administrator, in con-
5 sultation with the Secretary of the Interior, the Secretary
6 of State, and the Secretary of Agriculture, shall promul-
7 gate regulations, including quality and eligibility require-
8 ments, for the distribution of offset allowances for inter-
9 national forest carbon activities.

10 (b) QUALITY AND ELIGIBILITY REQUIREMENTS.—
11 The regulations promulgated pursuant to subsection (a)
12 shall require that, in order to be approved for use under
13 this section, offset allowances distributed for an inter-
14 national forest carbon activity shall meet such quality and
15 eligibility requirements as the Administrator may estab-
16 lish, including a requirement that—

17 (1) the activity shall be designed, carried out,
18 and managed —

19 (A) in accordance with widely-accepted, en-
20 vironmentally sustainable forestry practices;

21 (B) to promote native species and con-
22 servation or restoration of native forests, where
23 practicable, and to avoid the introduction of
24 invasive nonnative species;

25 (C) in a manner that does not adversely
26 impact or undermine the rights (including inter-

1 nationally recognized rights) of indigenous and
2 other forest-dependent individuals residing in
3 affected areas; and

4 (D) in a manner that ensures that local
5 communities—

6 (i) are provided the right of free,
7 prior, informed consent regarding projects
8 or other activities;

9 (ii) are able to share equitably in prof-
10 its or other benefits of the activities; and

11 (iii) receive fair compensation for any
12 damages resulting from the activities;

13 (2) the emission reductions or sequestrations
14 are real, permanent, additional, verifiable, and en-
15 forceable, with reliable measuring and monitoring
16 and appropriate accounting for leakage; and

17 (3) eligible offset allowances are provided only
18 from countries on a list described in subsection (c).

19 (c) *LISTS*.—

20 (1) *IN GENERAL*.—The Administrator, in con-
21 sultation with the Secretary of State, shall identify
22 and periodically update a list of the names of coun-
23 tries that have—

1 (A) demonstrated capacity to participate in
2 international forest carbon activities, includ-
3 ing—

4 (i) sufficient historical data on
5 changes in national forest carbon stocks;

6 (ii) technical capacity to monitor and
7 measure forest carbon fluxes with an ac-
8 ceptable level of uncertainty; and

9 (iii) institutional capacity to reduce
10 emissions from deforestation and degrada-
11 tion;

12 (B) capped greenhouse gas emissions or
13 otherwise established a credible national base-
14 line or emission reference scenario that is—

15 (i) consistent with nationally appro-
16 priate mitigation commitments or actions,
17 taking into consideration the average an-
18 nual deforestation and degradation rates of
19 the country during a period of at least 5
20 years; and

21 (ii) projected to result in zero-net de-
22 forestation by not later than 2050; and

23 (C)(i) implemented an emission reduction
24 program for the forest sector; and

1 (ii) demonstrated those reductions using
2 remote sensing technology, taking into consider-
3 ation relevant international standards.

4 (2) PERIODIC REVIEW OF NATIONAL-LEVEL RE-
5 DUCTIONS IN DEFORESTATION AND DEGRADA-
6 TION.—The Administrator, in consultation with the
7 Secretary of State, shall identify and periodically up-
8 date a list of the names of countries included in the
9 list under paragraph (1) that have—

10 (A) achieved national-level reductions of
11 deforestation and degradation below a historical
12 reference scenario, taking into consideration the
13 average annual deforestation and degradation
14 rates of the country, and of all countries, dur-
15 ing a period of at least 5 years; and

16 (B) demonstrated those reductions using
17 remote sensing technology, taking into consider-
18 ation relevant international standards.

19 (3) CREDITING AND ADDITIONALITY.—A
20 verified reduction in greenhouse gas emissions from
21 deforestation and forest degradation under a cap or
22 resulting from a nationwide emissions reference sce-
23 nario described in paragraph (1)(B) shall be—

24 (A) eligible for crediting; and

1 (B) considered to satisfy the additionality
2 criterion.

3 (d) FACILITY CERTIFICATION.—The owner or oper-
4 ator of a covered entity that submits an offset allowance
5 generated under this section shall certify that the offset
6 allowance has not been retired from use in a registry of
7 the applicable foreign country.

8 (e) USE.—

9 (1) IN GENERAL.—Subject to paragraph (3),
10 the quantity of offset allowances distributed pursu-
11 ant to this section in a calendar year shall not ex-
12 ceed 10 percent of the quantity of emission allow-
13 ances established for that year pursuant to section
14 201(a).

15 (2) USE OF INTERNATIONAL ALLOWANCES.—

16 (A) IN GENERAL.—If the quantity of offset
17 allowances distributed in a calendar year pursu-
18 ant to this section is less than 10 percent of the
19 quantity of emission allowances established for
20 that calendar year pursuant to section 201(a),
21 the Administrator shall allow the use, by cov-
22 ered entities during that year, of international
23 allowances under section 322.

24 (B) QUANTITY.—The aggregate quantity
25 of international allowances the use of which is

1 (I) the quantity of offset allow-
2 ances distributed during the preceding
3 calendar year pursuant to this section;
4 and

5 (II) the quantity of international
6 allowances used during that year pur-
7 suant to paragraph (2); and

8 (ii) 10 percent of the quantity of
9 emission allowances established for that
10 year pursuant to section 201(a).

11 (f) LIMITATIONS.—

12 (1) MAXIMUM QUANTITY.—The Administrator
13 shall not distribute to the government of a foreign
14 country a quantity of offset allowances that exceeds
15 the quantity of metric tons of carbon dioxide that
16 have been biologically sequestered or prevented from
17 being emitted as a result of country-wide reductions
18 in deforestation and forest degradation by the for-
19 eign country.

20 (2) MAXIMUM USE.—The regulations promul-
21 gated pursuant to this section shall ensure that off-
22 set allowances are not issued for sequestration or
23 emission reductions that have been used or will be
24 used by any other country for compliance with a do-

1 mestic or international obligation to limit or reduce
2 greenhouse gas emissions.

3 (g) **REVIEWS.**—Not later than 3 years after the date
4 of enactment of this Act, and 5 years thereafter, the Ad-
5 ministrator shall conduct a review of the program under
6 this section.

7 (h) **DISCOUNT.**—If, after the date that is 10 years
8 after the date of enactment of this Act, the Administrator
9 determines that foreign countries that, in the aggregate,
10 generate greenhouse gas emissions accounting for more
11 than 0.5 percent of global greenhouse gas emissions have
12 not capped those emissions, established emissions ref-
13 erence scenarios based on historical data, or otherwise re-
14 duced total forest emissions of the foreign countries, the
15 Administrator may apply a discount to distributions of
16 emission allowances to those countries under this section.

17 **SEC. 1315. LIMITATION ON DOUBLE COUNTING.**

18 Notwithstanding any other provision of this Act, ac-
19 tivities that receive credit under subtitle E of title II shall
20 not be eligible to receive emission allowances under this
21 subtitle.

22 **SEC. 1316. EFFECT OF SUBTITLE.**

23 Nothing in this subtitle supersedes, limits, or other-
24 wise affects any restriction imposed by Federal law (in-
25 cluding regulations) on any interaction between an entity

1 located in the United States and an entity located in a
2 foreign country.

3 **Subtitle C—International Partner-**
4 **ships to Deploy Clean Energy**
5 **Technology**

6 **SEC. 1321. INTERNATIONAL CLEAN ENERGY DEPLOYMENT.**

7 (a) PURPOSE.—The purpose of this section is to pro-
8 mote and leverage private financing for the development
9 and international deployment of technologies that will con-
10 tribute to sustainable economic growth and the stabiliza-
11 tion of greenhouse gas concentrations in the atmosphere
12 at a level that will prevent dangerous anthropogenic inter-
13 ference with the climate system.

14 (b) DEFINITIONS.—In this section:

15 (1) APPROPRIATE COMMITTEES OF CON-
16 GRESS.—The term “appropriate committees of Con-
17 gress” means

18 (A) in the Senate—

19 (i) the Committee on Foreign Rela-
20 tions;

21 (ii) the Committee on Finance;

22 (iii) the Committee on Energy and
23 Natural Resources;

24 (iv) the Committee on Environment
25 and Public Works; and

- 1 (v) the Committee on Appropriations;
2 and
3 (B) in the House of Representatives—
4 (i) the Committee on Foreign Affairs;
5 (ii) the Committee on Ways and
6 Means;
7 (iii) the Committee on Energy and
8 Commerce;
9 (iv) the Committee on Natural Re-
10 sources; and
11 (v) the Committee on Appropriations.

12 (2) ELIGIBLE COUNTRY.—The term “eligible
13 country” means a foreign country that, as deter-
14 mined by the President—

15 (A) is not a member of the Organization
16 for Economic Cooperation and Development;
17 and

18 (B)(i) has made a binding commitment,
19 pursuant to an international agreement to
20 which the United States is a party, to carry out
21 actions to produce measurable, reportable, and
22 verifiable greenhouse gas emission mitigations;
23 or

24 (ii) as certified by the President to the ap-
25 propriate committees of Congress, has in force

1 binding national policies and measures that are
2 capable of producing measurable, reportable,
3 and verifiable greenhouse gas emission mitiga-
4 tions.

5 (3) FUND.—The term “Fund” means the Inter-
6 national Clean Energy Deployment Fund established
7 by subsection (c)(1).

8 (4) QUALIFIED ENTITY.—The term “qualified
9 entity” means—

10 (A) the national government of an eligible
11 country;

12 (B) a regional or local governmental unit
13 of an eligible country; and

14 (C) a nongovernmental organization or a
15 private entity located or operating in an eligible
16 country.

17 (c) INTERNATIONAL CLEAN ENERGY DEPLOYMENT
18 FUND.—

19 (1) ESTABLISHMENT.—There is established in
20 the Treasury of the United States a fund, to be
21 known as the “International Clean Energy Deploy-
22 ment Fund”.

23 (2) AUCTIONS.—

24 (A) IN GENERAL.—In accordance with
25 subparagraph (B), to raise funds for deposit in

1 the Fund, for each of calendar years 2012
2 through 2017, the Administrator shall auction
3 0.5 percent of the emission allowances estab-
4 lished pursuant to section 201(a) for the cal-
5 endar year.

6 (B) NUMBER; FREQUENCY.—For each cal-
7 endar year during the period described in sub-
8 paragraph (A), the Administrator shall—

9 (i) conduct not fewer than 4 auctions;

10 and

11 (ii) schedule the auctions in a manner
12 to ensure that—

13 (I) each auction takes place dur-
14 ing the period beginning 330 days be-
15 fore, and ending 60 days before, the
16 beginning of each calendar year; and

17 (II) the interval between each
18 auction is of equal duration.

19 (C) DEPOSIT OF PROCEEDS.—As soon as
20 practicable after conducting an auction under
21 subparagraph (A), the Administrator shall de-
22 posit the proceeds of the auction in the Fund.

23 (d) USE OF FUNDS.—All amounts in the Fund shall
24 be made available, without further appropriation or fiscal

1 year limitation, to carry out the International Clean En-
2 ergy Deployment Program established by section 114.

3 **Subtitle D—International Partner-**
4 **ships to Adapt to Climate**
5 **Change and Protect National**
6 **Security**

7 **SEC. 1331. INTERNATIONAL CLIMATE CHANGE ADAPTA-**
8 **TION AND NATIONAL SECURITY FUND.**

9 (a) ESTABLISHMENT.—There is established in the
10 Treasury of the United States a fund, to be known as the
11 “International Climate Change Adaptation and National
12 Security Fund” (referred to in this subtitle as the
13 “Fund”).

14 (b) AUCTIONS.—

15 (1) IN GENERAL.—In accordance with para-
16 graph (2) and subsection (c), to raise funds for de-
17 posit in the Fund, for each of calendar years 2012
18 through 2050, the Administrator shall auction a cer-
19 tain percentage of the emission allowances estab-
20 lished pursuant to section 201(a) for the calendar
21 year.

22 (2) NUMBER; FREQUENCY.—For each calendar
23 year during the period described in paragraph (1),
24 the Administrator shall—

25 (A) conduct not fewer than 4 auctions; and

1 (B) schedule the auctions in a manner to
 2 ensure that—

3 (i) each auction takes place during the
 4 period beginning 330 days before, and end-
 5 ing 60 days before, the beginning of each
 6 calendar year; and

7 (ii) the interval between each auction
 8 is of equal duration.

9 (3) DEPOSIT OF PROCEEDS.—As soon as prac-
 10 ticable after conducting an auction under paragraph
 11 (1), the Administrator shall deposit the proceeds of
 12 the auction in the Fund.

13 (c) PERCENTAGE FOR AUCTION.—For each of cal-
 14 endar years 2012 through 2050, the Administrator shall
 15 auction in accordance with subsection (b) the percentage
 16 of emission allowances specified in the following table:

Calendar year	Percentage for auction for Fund
2012	1
2013	1
2014	1.25
2015	1.25
2016	1.25
2017	1.25
2018	2
2019	2
2020	2
2021	2
2022	3
2023	3
2024	3
2025	3
2026	4
2027	4
2028	4

Calendar year	Percentage for auction for Fund
2029	4
2030	4
2031	6
2032	6
2033	6
2034	6
2035	6
2036	6
2037	6
2038	6
2039	7
2040	7
2041	7
2042	7
2043	7
2044	7
2045	7
2046	7
2047	7
2048	7
2049	7
2050	7.

1 **SEC. 1332. INTERNATIONAL CLIMATE CHANGE ADAPTA-**
2 **TION AND NATIONAL SECURITY PROGRAM.**

3 (a) ESTABLISHMENT OF PROGRAM.—Not later than
4 2 years after the date of enactment of this Act, the Sec-
5 retary of State, in consultation with the Administrator of
6 the United States Agency for International Development
7 (referred to in this subtitle as the “Administrator of the
8 Agency”) and the Administrator, shall establish within the
9 Agency a program, to be known as the “ International
10 Climate Change Adaptation and National Security Pro-
11 gram” (referred to in this subtitle as the “Program”).

12 (b) PURPOSES.—The purposes of the Program shall
13 be—

1 (1) to protect the economic and national secu-
2 rity of the United States by minimizing, averting, or
3 increasing resilience to potentially destabilizing glob-
4 al climate change impacts;

5 (2) to support the development of national and
6 regional climate change adaptation plans in the most
7 vulnerable developing countries, including the plan-
8 ning, financing, and execution of adaptation
9 projects;

10 (3) to support the identification and deployment
11 of technologies that would help the most vulnerable
12 developing countries respond to destabilizing impacts
13 of climate change, including appropriate low-carbon
14 and energy-efficient technologies that help reduce
15 greenhouse gas and black carbon emissions of those
16 countries;

17 (4) to support investments, capacity-building
18 activities, and other assistance to reduce vulner-
19 ability and promote community-level resilience relat-
20 ing to climate change and the impacts of climate
21 change on the most vulnerable developing countries,
22 including impacts such as—

23 (A) water scarcity (including drought and
24 reductions in access to safe drinking water);

25 (B) reductions in agricultural productivity;

- 1 (C) floods;
- 2 (D) sea level rise;
- 3 (E) shifts in agricultural zones or seasons;
- 4 (F) shifts in biodiversity; or
- 5 (G) other impacts that—
 - 6 (i) affect economic livelihoods;
 - 7 (ii) result in increases in refugees and
 - 8 internally displaced individuals; or
 - 9 (iii) otherwise increase social, eco-
 - 10 nomic, political, cultural, or environmental
 - 11 vulnerability;

12 (5) to support climate change adaptation re-
13 search in or for the most vulnerable developing coun-
14 tries; and

15 (6) to encourage the enhancement and diver-
16 sification of agricultural, fishery, and other liveli-
17 hoods, the reduction of disaster risk, and the protec-
18 tion and rehabilitation of natural systems in order to
19 reduce vulnerability and provide increased resilience
20 to climate change for local communities and liveli-
21 hoods in the most vulnerable developing countries.

22 (c) DUTIES.—The director of the Program shall—

23 (1) submit to the President, the Committees on
24 Environment and Public Works and Foreign Rela-
25 tions of the Senate, the Committees on Energy and

1 Commerce and Foreign Relations of the House of
2 Representatives, and any other relevant congress-
3 sional committees with national security jurisdiction,
4 annual reports on the economy and foreign policy
5 that describe, with respect to the preceding calendar
6 year—

7 (A) the extent to which other countries are
8 committed to reducing greenhouse gas emis-
9 sions through mandatory programs;

10 (B) the extent to which global climate
11 change, through the potential negative impacts
12 of climate change on sensitive populations and
13 natural resources in the most vulnerable devel-
14 oped countries, might threaten, cause, or exae-
15 erbate political, economic, environmental, cul-
16 tural, or social instability or international con-
17 flict in those regions;

18 (C) the ramifications of any potentially de-
19 stabilizing impacts climate change might have
20 on the economic and national security of the
21 United States, including—

22 (i) the creation of refugees and inter-
23 nally displaced individuals;

1 (ii) national or international armed
2 conflicts over water, food, land, or other
3 resources;

4 (iii) loss of agricultural and other live-
5 lihoods, cultural stability, and other causes
6 of increased poverty and economic desta-
7 bilization;

8 (iv) decline in availability of resources
9 needed for survival, including water;

10 (v) increased impact of natural disas-
11 ters, including severe weather events,
12 droughts, and flooding;

13 (vi) increased prevalence or virulence
14 of climate-related diseases; and

15 (vii) intensified urban migration;

16 (D) the means by which funds derived
17 from proceeds of auctions under section 1331
18 were expended to enhance the economic and na-
19 tional security of the United States and assist
20 in avoiding the economically, politically, envi-
21 ronmentally, culturally, and socially desta-
22 bilizing impacts of climate change in volatile re-
23 gions of the world, particularly least-developed
24 countries; and

1 (E) cooperative activities carried out by
2 the United States and foreign countries and
3 international organizations to carry out this
4 subtitle; and

5 (2) identify and make recommendations regard-
6 ing the developing countries—

7 (A) that are most vulnerable to climate
8 change impacts; and

9 (B) in which Federal assistance could have
10 the greatest and most sustainable benefits with
11 respect to reducing vulnerability to climate
12 change, including in the form of deploying tech-
13 nologies, investments, capacity-building activi-
14 ties, and other types of assistance for adapta-
15 tion to climate change impacts and approaches
16 to reduce emissions of greenhouse gases in ways
17 that could also provide community-level resil-
18 ience to climate change impacts.

19 (d) IMPLEMENTATION OF PROGRAM.—

20 (1) RECOMMENDATIONS.—Amounts deposited
21 in the Fund under section 1331(b)(3) shall be made
22 available, without further appropriation or fiscal
23 year limitation, to carry out—

24 (A) the Program; and

1 (B) international activities that meet the
2 requirements described in paragraph (8).

3 (2) OVERSIGHT.—The Administrator of the
4 Agency shall have oversight authority with respect to
5 the expenditures of the Program.

6 (3) MOST VULNERABLE DEVELOPING COUN-
7 TRIES.—The director of the Program shall use
8 amounts in the Fund to carry out project and pro-
9 grams in the most vulnerable developing countries,
10 as determined by the Administrator of the Agency,
11 including—

12 (A) least-developed countries;

13 (B) low-lying and other small island devel-
14 oping countries;

15 (C) developing countries with low-lying
16 coastal, arid, and semi-arid areas or areas
17 prone to floods, drought, and desertification;
18 and

19 (D) developing countries with fragile,
20 mountainous ecosystems.

21 (4) LIMITATION.—Not more than 10 percent of
22 amounts made available to carry out this subtitle
23 shall be spent in any single country in any calendar
24 year.

1 (5) CONSULTATION WITH LOCAL COMMUNITIES
2 AND STAKEHOLDERS.—The Administrator of the
3 Agency shall ensure that local communities in areas
4 in which a project is proposed to be carried out
5 under the Program are involved in the project
6 through—

7 (A) full disclosure of information;

8 (B) consultation with the communities and
9 stakeholders at international, national, and
10 local levels; and

11 (C) informed participation.

12 (6) DEVELOPMENT OBJECTIVES.—The Admin-
13 istrator of the Agency shall, to the maximum extent
14 practicable, ensure that projects proposed to be car-
15 ried out under the Program are carried out in ac-
16 cordance with broader development, poverty allevi-
17 ation, or natural resource management objectives
18 and initiatives in the countries served by the
19 projects.

20 (7) INTERNATIONAL FUNDS.—

21 (A) IN GENERAL.—The Secretary of State
22 may distribute not more than 60 percent of
23 amounts made available to carry out the Pro-
24 gram to an international fund that meets the
25 requirements of paragraph (8).

1 (B) NOTIFICATION.—Not later than 15
2 days before the date on which the Secretary of
3 State distributes funds to an international fund
4 under subparagraph (A), the Secretary of State
5 shall submit to the appropriate congressional
6 committees a notification of the distribution.

7 (8) REQUIREMENTS.—To be eligible to receive
8 funds under paragraph (7), an international fund
9 shall be established pursuant to the Convention (or
10 an agreement negotiated under the Convention)
11 that—

12 (A) specifies the terms and conditions
13 under which—

14 (i) the United States will provide
15 amounts to the fund; and

16 (ii) the international fund will dis-
17 tribute the amounts to recipient countries;

18 (B) ensures that United States assistance
19 to the international fund and the principal and
20 income of the fund are disbursed only for pur-
21 poses that are consistent with subsection (b);

22 (C) requires a regular meeting of a gov-
23 erning body of the international fund that pro-
24 vides full public access and includes members

1 representing the most vulnerable developing
2 countries;

3 (D) requires that not more than 10 per-
4 cent of the amounts available to the inter-
5 national fund shall be spent for any single
6 country in any calendar year; and

7 (E) requires the international fund to pre-
8 pare and make public an annual report that—

9 (i) identifies and recommends the de-
10 veloping countries—

11 (I) that are most vulnerable to
12 climate change impacts; and

13 (II) in which assistance can have
14 the greatest and most sustainable
15 benefit to reducing vulnerability to cli-
16 mate change;

17 (ii) describes the process and method-
18 ology for selecting the recipients of assist-
19 ance or grants from the fund;

20 (iii) describes specific programs and
21 projects funded by the international fund
22 and the extent to which the assistance is
23 addressing the adaptation needs of the
24 most vulnerable developing countries;

1 (iv) describes the performance goals
2 for assistance under the fund and ex-
3 presses those goals in an objective and
4 quantifiable form, to the maximum extent
5 practicable;

6 (v) describes the performance indica-
7 tors to be used in measuring or assessing
8 the achievement of the performance goals
9 described in clause (iv);

10 (vi) provides a basis for recommenda-
11 tions for adjustments to assistance under
12 this subtitle to enhance the impact of the
13 assistance; and

14 (vii) describes the participation of
15 other countries and international organiza-
16 tions in funding and administering the
17 international fund.

18 **SEC. 1333. MONITORING AND EVALUATION OF PROGRAMS.**

19 (a) IN GENERAL.—The Administrator of the Agency
20 shall establish and implement a system to monitor and
21 evaluate the effectiveness and efficiency of assistance pro-
22 vided under this subtitle on a program-by-program basis
23 in order to maximize the long-term sustainable develop-
24 mental impact of the assistance, including the extent to
25 which the assistance is—

1 (1) meeting the purposes of this subtitle in ad-
2 dressing the climate change adaptation needs of de-
3 veloping countries; and

4 (2) enhancing the national security of the
5 United States.

6 (b) REQUIREMENTS.—In carrying out subsection (a),
7 the Administrator of the Agency shall—

8 (1) in consultation with heads of government of
9 recipient foreign countries—

10 (A) establish performance goals for assist-
11 ance under this subtitle; and

12 (B) expresses those goals in an objective
13 and quantifiable form, to the maximum extent
14 practicable;

15 (2) establish performance indicators for use in
16 assessing the achievement of the performance goals
17 described in paragraph (1);

18 (3) provide a basis for recommendations for ad-
19 justments to assistance under this subtitle to en-
20 hance the impact of the assistance; and

21 (4) include in the report to Congress under sec-
22 tion 1332(c)(1) a description of the results of the
23 monitoring and evaluation of programs under this
24 section.

1 (c) REVIEWS.—Not later than 3 years after the date
2 of enactment of this Act, and every 3 years thereafter,
3 the Administrator of the Agency, in cooperation with the
4 National Academy of Sciences and other research and de-
5 velopment institutions, as appropriate, shall conduct a re-
6 view of—

7 (1) the global needs and opportunities for, and
8 costs of, adaptation assistance in developing coun-
9 tries, especially least-developed developing countries;

10 (2) the progress of international adaptation
11 among developing countries, including an evaluation
12 of—

13 (A) the impact of expenditures by the Sec-
14 retary under this subtitle; and

15 (B) the extent to which adaptation needs
16 are addressed;

17 (3) the best practices for adapting to climate
18 change in terms of promoting community-level resil-
19 ience and social, economic, political, environmental,
20 and cultural stability; and

21 (4) any guidelines or regulations established by
22 the Administrator of the Agency to carry out this
23 subtitle.

1 **TITLE XIV—REDUCING THE**
2 **DEFICIT**

3 **SEC. 1401. DEFICIT REDUCTION FUND.**

4 There is established in the Treasury of the United
5 States a fund, to be known as the “Deficit Reduction
6 Fund”.

7 **SEC. 1402. AUCTIONS.**

8 (a) IN GENERAL.—For each of calendar years 2012
9 through 2050, the Administrator shall auction, in accord-
10 ance with subsections (b) and (c), a certain percentage of
11 the emission allowances established pursuant to section
12 201(a) for the calendar year to raise funds for deposit in
13 the Deficit Reduction Fund.

14 (b) NUMBER; FREQUENCY.—For each calendar year
15 during the period described in subsection (a), the Adminis-
16 trator shall—

17 (1) conduct not fewer than 4 auctions; and

18 (2) schedule the auctions in a manner to ensure
19 that—

20 (A) each auction takes place during the pe-
21 riod beginning 330 days before, and ending 60
22 days before, the beginning of each calendar
23 year; and

24 (B) the interval between each auction is of
25 equal duration.

1 (c) QUANTITIES OF EMISSION ALLOWANCES AUC-
 2 TIONED.—For each of calendar years 2012 through 2050,
 3 the quantity of emission allowances auctioned pursuant to
 4 subsection (a) shall be the quantity represented by the
 5 percentages specified in the following table:

Calendar year	Percentage for auction for Deficit Reduction Fund
2012	5.75
2013	5.75
2014	5.75
2015	6.50
2016	6.75
2017	6.75
2018	7.25
2019	7
2020	8
2021	9.5
2022	8.75
2023	9.75
2024	10.75
2025	10.75
2026	12.75
2027	12.75
2028	12.75
2029	13.75
2030	13.75
2031	19.75
2032	17.75
2033	17.75
2034	16.75
2035	16.75
2036	16.75
2037	16.75
2038	16.75
2039	16.75
2040	16.75
2041	16.75
2042	16.75
2043	16.75
2044	16.75
2045	16.75
2046	16.75
2047	16.75
2048	16.75
2049	16.75
2050	16.75.

1 **SEC. 1403. DEPOSITS.**

2 The Administrator shall deposit all proceeds of auc-
3 tions conducted pursuant to section 1402, immediately on
4 receipt of those proceeds, in the Deficit Reduction Fund.

5 **SEC. 1404. DISBURSEMENTS FROM FUND.**

6 No disbursement shall be made from the Deficit Re-
7 duction Fund, except pursuant to an appropriation Act.

8 **TITLE XV—CAPPING**

9 **HYDROFLUOROCARBON**

10 **EMISSIONS**

11 **SEC. 1501. REGULATIONS.**

12 (a) **IN GENERAL**.—Not later than 2 years after the
13 date of enactment of this Act, the Administrator shall pro-
14 mulgate regulations establishing a program requiring re-
15 ductions in hydrofluorocarbons consumed in the United
16 States by entities that—

- 17 (1) manufacture HFCs in the United States; or
18 (2) import HFCs into the United States.

19 (b) **DEFINITION OF HFC CONSUMED**.—The regula-
20 tions promulgated pursuant to subsection (a) shall provide
21 that the term “HFC consumed”—

22 (1) means—

23 (A) in the case of an HFC producer, a
24 value equal to the difference between—

25 (i) the sum of—

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1 (I) the quantity of HFC pro-
2 duced in the United States; and

3 (II) the quantity of HFC im-
4 ported from any source into the
5 United States, including quantities
6 contained in products or equipment,
7 or acquired in the United States from
8 another HFC producer through sale
9 or other transaction; and

10 (ii) the quantity of HFC exported or
11 transferred to another HFC producer in
12 the United States through sale or other
13 transaction; and

14 (B) in the case of an HFC importer for re-
15 sale, a value equal to the difference between—

16 (i) the quantity of HFC imported for
17 resale from any source into the United
18 States; and

19 (ii) the quantity of HFC exported;
20 and

21 (2) shall not include the consumption of any
22 quantity of HFC that is recycled.

23 (c) REQUIREMENTS.—The program established
24 under subsection (a) shall—

1 (1) be based on, and parallel the major regu-
2 latory structure of, the program established under
3 this Act for requiring reductions of emissions in the
4 United States of non-HFC greenhouse gases;

5 (2) provide that the compliance obligation
6 under this section shall require the submission of
7 HFC allowances for any HFC consumed or imported
8 in products or equipment;

9 (3) provide that the compliance obligation
10 under the program shall not be satisfied, in whole or
11 in part, by the submission of any emission allow-
12 ances or offset allowances established pursuant to ti-
13 tles II, III, or XIII;

14 (4) establish annual HFC limitations in accord-
15 ance with subsection (d);

16 (5) take into consideration, in establishing the
17 limitations, whether the automobile manufacturing
18 industry will begin selling, before 2012, automobiles
19 the air conditioning systems of which use a refriger-
20 erant with a lower global warming potential than
21 HFCs currently in use;

22 (6) require the auction of—

23 (A) not more than 10 percent of the quan-
24 tity of HFC allowances established for calendar
25 year 2012;

1 (B) for each of calendar years 2013
2 through 2030, a percentage of the quantity of
3 HFC allowances established for the applicable
4 calendar year that is greater than the percent-
5 age auctioned under this section for the pre-
6 ceding calendar year; and

7 (C) 100 percent of the quantity of HFC al-
8 lowances established for calendar years 2031
9 through 2050;

10 (7) for each of calendar years 2012 through
11 2030, require the allocation, at no charge, to entities
12 that manufacture HFCs in the United States and
13 import HFCs into the United States of—

14 (A) subject to subparagraph (B), not less
15 than 80 percent of the HFC allowances estab-
16 lished for the applicable calendar year and not
17 auctioned in accordance with paragraph (6),
18 with the allocation being based on 100 percent
19 of the HFCs and 60 percent of the
20 hydrochlorofluorocarbons consumed by an HFC
21 producer or importer for resale during—

22 (i) a base period covering calendar
23 years 2004 through 2006; or

24 (ii) as the Secretary determines to be
25 appropriate, an extended base period cov-

1 ering calendar years 2004 through 2008
2 with respect to an HFC producer or im-
3 porter for resale that commenced operation
4 of a new manufacturing facility in the
5 United States after 2006; and

6 (B) not less than 10 percent of the emis-
7 sion allowances established for the applicable
8 calendar year and not auctioned to a class of
9 entities, to be defined by the Administrator,
10 that manufacture in the United States commer-
11 cial products containing HFCs, including, at a
12 minimum, entities that manufactured in the
13 United States during calendar year 2005 com-
14 mercial or residential air conditioning, heat
15 pump, commercial, or residential refrigeration
16 products or plastic foam products (including
17 formulated systems) containing HFC or
18 hydrochlorofluorocarbon, if the HFC or
19 hydrochlorofluorocarbon was included in the
20 products at the time of sale;

21 (8) establish a system under which—

22 (A) a manufacturer or importer of HFCs
23 may reduce a compliance obligation under this
24 section for a calendar year by demonstrating to
25 the Administrator the quantity of HFCs the

1 manufacturer or importer destroyed during that
2 calendar year; and

3 (B) the Administrator establishes and dis-
4 tributes HFC allowances, on a discounted basis,
5 to entities for destruction of chlorofluorocarbons
6 or hydrochlorofluorocarbons; and

7 (9) require the use of all proceeds from the auc-
8 tion of HFC allowances under this section to sup-
9 port—

10 (A) research into commercial alternatives
11 with lower global warming potential than HFCs
12 currently in use;

13 (B) the recovery, reclamation, and destruc-
14 tion of HFCs;

15 (C) manufacturers in the United States
16 the products of which contain HFCs to transi-
17 tion to manufacturing products that contain re-
18 frigerants or blowing agents with lower global
19 warming potential than HFCs currently in use;
20 and

21 (D) the promotion of energy-efficient man-
22 ufactured products that contain refrigerants or
23 blowing agents with low global warming poten-
24 tial.

1 (d) ANNUAL LIMITATIONS.—The Administrator shall
2 establish HFC allowances for each calendar year in a
3 manner that establishes limitations on annual consump-
4 tion of HFCs pursuant to the program under this section
5 of—

6 (1) for calendar year 2012, not more than
7 289,000,000 carbon dioxide equivalents of HFCs;

8 (2) for each of calendar years 2013 through
9 2019, a quantity of carbon dioxide equivalents of
10 HFCs that is less than the quantity of carbon diox-
11 ide equivalents of HFCs established for the pre-
12 ceding calendar year;

13 (3) for calendar year 2020, a quantity of car-
14 bon dioxide equivalents of HFCs equal to not more
15 than the product obtained by multiplying—

16 (A) 289,000,000; and

17 (B) 0.85;

18 (4) for each of calendar years 2021 through
19 2029, a quantity of carbon dioxide equivalents of
20 HFCs that is less than the quantity of carbon diox-
21 ide equivalents of HFCs established for the pre-
22 ceding calendar year;

23 (5) for calendar year 2030, a quantity of car-
24 bon dioxide equivalents of HFCs equal to not more
25 than the product obtained by multiplying—

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1 (A) 289,000,000; and

2 (B) 0.55;

3 (6) for each of calendar years 2031 through
4 2036, a quantity of carbon dioxide equivalents of
5 HFCs that is less than the quantity of carbon diox-
6 ide equivalents of HFCs established for the pre-
7 ceding calendar year;

8 (7) for each of calendar years 2037 through
9 2039, a quantity of carbon dioxide equivalents of
10 HFCs that does not exceed the quantity of carbon
11 dioxide equivalents of HFCs established for the pre-
12 ceding calendar year; and

13 (8) for each of calendar years 2040 through
14 2050, a quantity of carbon dioxide equivalents of
15 HFCs that does not exceed the product obtained by
16 multiplying—

17 (A) 289,000,000; and

18 (B) 0.30.

19 **SEC. 1502. NATIONAL RECYCLING AND EMISSION REDUC-**
20 **TION PROGRAM.**

21 Section 608 of the Clean Air Act (42 U.S.C. 7671g)
22 is amended—

23 (1) by redesignating subsections (a) through (c)
24 as subsections (b) through (d), respectively;

1 (2) by inserting before subsection (b) (as so re-
2 designated) the following:

3 “(a) DEFINITION OF HYDROFLUOROCARBON SUB-
4 STITUTE.—In this section, the term ‘hydrofluorocarbon
5 substitute’ means a hydrofluorocarbon—

6 “(1) with a global warming potential of more
7 than 150; and

8 “(2) that is used in or for types of equipment,
9 appliances, or processes that previously relied on a
10 class I or class II substance.”;

11 (3) in subsection (b) (as redesignated by para-
12 graph (1))—

13 (A) in the matter following paragraph (3),
14 by striking “Such regulations” and inserting
15 the following:

16 “(5) The regulations”;

17 (B) by redesignating paragraph (3) as
18 paragraph (4); and

19 (C) by inserting after paragraph (2) the
20 following:

21 “(3)(A) Not later than 1 year after date of en-
22 actment of the Lieberman-Warner Climate Security
23 Act of 2008, the Administrator shall promulgate
24 regulations establishing standards and requirements
25 regarding the sale or distribution, or offer for sale

1 and distribution in interstate commerce, use, and
2 disposal of hydrofluorocarbon substitutes for class I
3 substances and class II substances not covered by
4 paragraph (1), including the use, recycling, and dis-
5 posal of those hydrofluorocarbon substitutes during
6 the maintenance, service, repair, or disposal of appli-
7 ances and industrial process refrigeration equipment.

8 “(B) The standards and requirements estab-
9 lished under subparagraph (A) shall take effect not
10 later than 1 year after the date of promulgation of
11 the regulations.”;

12 (4) in subsection (c) (as redesignated by para-
13 graph (1))—

14 (A) by redesignating paragraphs (1)
15 through (3) as subparagraphs (A) through (C),
16 respectively, and indenting the subparagraphs
17 appropriately;

18 (B) by striking the subsection designation
19 and heading and all that follows through “fol-
20 lowing—” and inserting the following:

21 “(c) SAFE DISPOSAL.—The regulations under sub-
22 section (b) shall—

23 “(1) establish standards and requirements for
24 the safe disposal of class I substances and class II

1 substances and hydrofluorocarbon substitutes for
2 those substances; and

3 “(2) include each of the following:”; and

4 (C) in subparagraph (A) (as redesignated
5 by subparagraph (A)), by inserting “(or
6 hydrofluorocarbon substitutes for those sub-
7 stances)” after “class I or class II substances”.

8 **SEC. 1503. FIRE SUPPRESSION AGENTS.**

9 Section 605(a) of the Clean Air Act (42 U.S.C.
10 7671d(a)) is amended—

11 (1) by redesignating paragraphs (1) through
12 (3) as subparagraphs (A) through (C), respectively,
13 and indenting the subparagraphs appropriately;

14 (2) in the matter preceding subparagraph (A)
15 (as so redesignated), by striking “Effective” and in-
16 serting the following:

17 “(1) IN GENERAL.—Effective”;

18 (3) in paragraph (1) (as redesignated by para-
19 graphs (1) and (2))—

20 (A) in subparagraph (B) (as so redesign-
21 ated), by striking “or” at the end;

22 (B) in subparagraph (C) (as so redesign-
23 ated), by striking the period at the end and in-
24 serting “; or”; and

1 (C) by inserting after subparagraph (C)
2 the following:

3 “(D) the Administrator determines that
4 the substance—

5 “(i) is used as a fire suppression
6 agent for military, commercial aviation, in-
7 dustrial, space, or national security appli-
8 cations; and

9 “(ii) reduces overall risk to human
10 health and the environment, as compared
11 to alternative substances.”; and

12 (4) in the second sentence, by striking “As used
13 in” and inserting the following:

14 “(2) DEFINITION OF REFRIGERANT.—In”.

15 **TITLE XVI—PERIODIC REPORTS**
16 **AND RECOMMENDATIONS**

17 **SEC. 1601. NATIONAL ACADEMY OF SCIENCES REPORTS.**

18 (a) IN GENERAL.—Not later than 1 year after the
19 date of enactment of this Act, the Administrator shall
20 offer to enter into an arrangement with the National
21 Academy of Sciences, under which the Academy shall, by
22 not later than January 1, 2012, and every 3 years there-
23 after, make public and submit to the Administrator a re-
24 port in accordance with this section.

1 (b) LATEST SCIENTIFIC INFORMATION.—Each re-
2 port submitted pursuant to subsection (a) shall—

3 (1) address recent scientific reports on climate
4 change, including the most recent assessment by the
5 Intergovernmental Panel on Climate Change; and

6 (2) include a description of—

7 (A) trends in, and projections for, total
8 United States greenhouse gas emissions, includ-
9 ing the Inventory of United States Greenhouse
10 Gas Emissions and Sinks;

11 (B) trends in, and projections for, total
12 worldwide greenhouse gas emissions;

13 (C) current and projected future atmos-
14 pheric concentrations of greenhouse gases;

15 (D) current and projected future global av-
16 erage temperature, including an analysis of
17 whether an increase of global average tempera-
18 ture in excess of 3.6 degrees Fahrenheit (2 de-
19 grees Celsius) above the preindustrial average
20 has occurred or is more likely than not to occur
21 in the foreseeable future;

22 (E) current and projected future adverse
23 impacts of global climate change on human
24 populations, wildlife, and natural resources; and

1 (F) trends in, and projections for, the
2 health of the oceans and ocean ecosystems, in-
3 cluding predicted changes in ocean acidity, tem-
4 peratures, extent of coral reefs, and other indi-
5 cators of ocean ecosystem health, resulting from
6 anthropogenic carbon dioxide emissions and cli-
7 mate change.

8 (c) PERFORMANCE OF THIS ACT.—In addition to in-
9 formation required to be included under subsection (b),
10 each report submitted pursuant to subsection (a) shall in-
11 clude an assessment of—

12 (1) the extent to which this Act, in concert with
13 other policies, will prevent a dangerous increase in
14 global average temperature;

15 (2) the extent to which this Act, in concert with
16 other policies, will prevent dangerous atmospheric
17 concentrations of greenhouse gases;

18 (3) the current and future projected deployment
19 of technologies and practices that reduce or limit
20 greenhouse gas emissions, including—

21 (A) technologies for capturing, trans-
22 porting, and sequestering carbon dioxide;

23 (B) efficiency improvement technologies;

1 (C) zero- and low-greenhouse gas-emitting
2 energy technologies, including solar, wind, geo-
3 thermal, and nuclear technologies; and

4 (D) above- and below-ground biological se-
5 questration technologies;

6 (4) the extent to which this Act and other poli-
7 cies are accelerating the development and commer-
8 cial deployment of technologies and practices that
9 reduce and limit greenhouse gas emissions;

10 (5) the extent to which the allocations and dis-
11 tributions of emission allowances and auction pro-
12 ceeds under this Act are advancing the purposes of
13 this Act;

14 (6) the feasibility of retiring quantities of the
15 emission allowances established pursuant to section
16 201(a);

17 (7) the feasibility of establishing policies for re-
18 ducing greenhouse gas emissions in addition to the
19 policies established by this Act;

20 (8) whether the use and trading of emission al-
21 lowances is resulting in increases in pollutants that
22 are listed as criteria pollutants under section
23 108(a)(1) of the Clean Air Act (42 U.S.C.
24 7408(a)(1)), defined as toxic air pollutants in sec-
25 tion 211(k)(10)(C) of that Act (42 U.S.C.

1 7545(k)(10)(C)), or listed as hazardous air pollut-
2 ants in section 112(a) of that Act (42 U.S.C.
3 7412(a)) (referred to collectively in this title as
4 “covered pollutants”);

5 (9) whether the transformation of the market
6 and technologies deployed in response to carbon con-
7 trols and reductions are resulting in increases in
8 covered pollutants;

9 (10) whether the use and trading of emission
10 allowances and the transformation of the market
11 and technologies deployed in response to carbon con-
12 trols and reductions are resulting in an increase in
13 covered pollutants in environmental justice commu-
14 nities, specifically; and

15 (11) with respect to the offset programs estab-
16 lished under this Act—

17 (A) the uncertainty and additionality of
18 domestic offsets, international offsets, and
19 international markets;

20 (B) the impacts of changing the restric-
21 tions on the market and the economic costs of
22 the offset programs;

23 (C) the interaction with the cost manage-
24 ment efforts of the Board;

1 (D) the impacts on deforestation in foreign
2 countries; and

3 (E) the progress covered entities are mak-
4 ing in reducing emissions from covered activi-
5 ties of the covered entities.

6 **SEC. 1602. ENVIRONMENTAL PROTECTION AGENCY REC-**
7 **COMMENDATIONS.**

8 (a) IN GENERAL.—Not later than January 1, 2013,
9 and every 3 years thereafter, the Administrator shall sub-
10 mit to Congress legislative recommendations based in part
11 on the most recent report submitted by the National Acad-
12 emy of Sciences pursuant to section 1601.

13 (b) CATEGORIES OF LEGISLATION.—The legislative
14 measures eligible for inclusion in the recommendations re-
15 quired by subsection (a) shall include measures that
16 would—

17 (1) expand the definition of the term “covered
18 entity” under this Act;

19 (2) expand the scope of the compliance obliga-
20 tion established by section 202;

21 (3) adjust quantities of emission allowances
22 available in 1 or more calendar years;

23 (4) establish other policies for reducing green-
24 house gas emissions in addition to the policies estab-
25 lished by this Act;

1 (5) establish policies for reducing nationwide
2 emissions into the atmosphere of sulfur dioxide, ni-
3 trogen oxides, and mercury in excess of the reduc-
4 tions resulting from the implementation of this Act;
5 and

6 (6) prevent or abate any direct, indirect, or cu-
7 mulative increases in covered pollutants resulting
8 from the use and trading of emission allowances or
9 from transformations in technologies or markets.

10 (c) CONSISTENCY WITH REPORTS.—The Adminis-
11 trator shall include with each submission of recommenda-
12 tions made pursuant to subsection (a) an explanation for
13 each significant inconsistency between the recommenda-
14 tions and the reports submitted by the National Acad-
15 emies of Sciences pursuant to section 1601.

16 (d) ONGOING EVALUATION OF IMPACTS.—Not later
17 than 90 days after the date of enactment of this Act, the
18 Administrator shall establish an advisory committee that
19 includes representatives of impacted communities to ad-
20 vise the Administrator on the implementation of Executive
21 Order No. 12898 (59 Fed. Reg. 7629) in implementing
22 this Act.

23 (e) EFFECT ON OTHER AUTHORITY.—Nothing in
24 this title limits the authority of the Administrator, a State,

1 or any person to use any authority under this Act or any
2 other law to promulgate, adopt, or enforce any regulation.

3 **SEC. 1603. PRESIDENTIAL RECOMMENDATIONS.**

4 (a) ESTABLISHMENT OF TASK FORCE.—Not later
5 than January 1, 2018, the President shall establish a task
6 force, to be known as the “Interagency Climate Change
7 Task Force”.

8 (b) COMPOSITION.—The members of the Interagency
9 Climate Change Task Force shall be—

10 (1) the Administrator;

11 (2) the Secretary of Energy;

12 (3) the Secretary of the Treasury;

13 (4) the Secretary of Commerce; and

14 (5) such other Cabinet Secretaries as the Presi-
15 dent may name to the membership of the Inter-
16 agency Climate Change Task Force.

17 (c) CHAIRMAN.—The Administrator shall act as
18 Chairperson of the Interagency Climate Change Task
19 Force.

20 (d) REPORT TO PRESIDENT.—

21 (1) IN GENERAL.—Not later than April 1,
22 2019, the Interagency Climate Change Task Force
23 shall make public and submit to the President a con-
24 sensus report making recommendations, including

1 for specific legislation for the President to rec-
2 ommend to Congress.

3 (2) BASIS.—The report submitted pursuant to
4 paragraph (1) shall be based on the third set of rec-
5 ommendations submitted by the Administrator to
6 Congress under section 1602.

7 (3) INCLUSIONS.—The Interagency Climate
8 Change Task Force shall include with the consensus
9 report an explanation for each significant inconsis-
10 tency between the consensus report and the third set
11 of recommendations submitted by the Administrator
12 to Congress pursuant to section 1602.

13 (e) PRESIDENTIAL RECOMMENDATION TO CON-
14 GRESS.—Not later than July 1, 2020, the President shall
15 submit to Congress the text of a proposed Act based upon
16 the consensus report submitted to the President pursuant
17 to subsection (d).

18 **TITLE XVII—MISCELLANEOUS**
19 **Subtitle A—Climate Security Act**
20 **Administrative Fund**

21 **SEC. 1701. ESTABLISHMENT.**

22 There is established in the Treasury of the United
23 States a fund, to be known as the “Climate Security Act
24 Administrative Fund” (referred to in this subtitle as the
25 “Fund”).

1 **SEC. 1702. AUCTIONS.**

2 (a) FIRST PERIOD.—Not later than 120 days after
3 the date of enactment of this Act, and annually thereafter
4 through 2027, the Administrator shall auction, to raise
5 funds for deposit in the Fund, 0.75 percent of the quantity
6 of emission allowances established pursuant to section
7 201(a) for the calendar year that is 3 years after the cal-
8 endar year during which the auction is conducted.

9 (b) SECOND PERIOD.—

10 (1) IN GENERAL.—For each of calendar years
11 2031 through 2050, the Administrator shall auction,
12 in accordance with paragraph (2), 1 percent of the
13 quantity of emission allowances established pursuant
14 to section 201(a) for the calendar year, to raise
15 funds for deposit in the Fund.

16 (2) NUMBER; FREQUENCY.—For each calendar
17 year during the period described in paragraph (1),
18 the Administrator shall—

19 (A) conduct not fewer than 4 auctions; and

20 (B) schedule the auctions in a manner to
21 ensure that—

22 (i) each auction takes place during the
23 period beginning 330 days before, and end-
24 ing 60 days before, the beginning of the
25 calendar year; and

1 (ii) the interval between each auction
2 is of equal duration.

3 **SEC. 1703. DEPOSITS.**

4 The Administrator shall deposit all proceeds of auc-
5 tions conducted pursuant to section 1702, immediately on
6 receipt of those proceeds, in the Fund.

7 **SEC. 1704. DISBURSEMENTS FROM FUND.**

8 No disbursements shall be made from the Fund, ex-
9 cept pursuant to an appropriation Act.

10 **SEC. 1705. USE OF FUNDS.**

11 (a) IN GENERAL.—For each of calendar years 2012
12 through 2050, the amounts deposited into the Fund dur-
13 ing the preceding calendar year under section 1703 shall
14 be made available to pay the administrative costs of car-
15 rying out this Act.

16 (b) TREATMENT OF AMOUNTS IN FUND.—Amounts
17 in the Fund—

18 (1) may be used as an offsetting collection
19 available to the Administrator, the Secretary of Ag-
20 riculture, the Secretary of Labor, the Secretary of
21 the Interior, the Secretary of Energy, the heads of
22 other Federal departments or agencies required to
23 carry out activities under this Act, the Board, or the
24 Climate Change Technology Board to offset ex-
25 penses incurred, or amounts made available through

1 an appropriation Act for use, in carrying out this
2 Act; and

3 (2) shall remain available until expended.

4 **Subtitle B—Presidential Emer-**
5 **gency Declarations and Procla-**
6 **mations**

7 **SEC. 1711. EMERGENCY DECLARATION.**

8 (a) IN GENERAL.—If the President determines that
9 a national security, energy security, or economic security
10 emergency exists, and that it is in the paramount interest
11 of the United States to modify any requirement under this
12 Act to minimize the effects of the emergency, the Presi-
13 dent may make an emergency declaration.

14 (b) CONSULTATION.—In making an emergency dec-
15 laration under subsection (a), the President shall, to the
16 maximum extent practicable, consult with and take into
17 consideration any advice received from—

18 (1) the National Security Advisor;

19 (2) the Secretary of the Treasury;

20 (3) the Secretary of Energy;

21 (4) the Administrator;

22 (5) relevant committees of Congress; and

23 (6) the Board.

1 **SEC. 1712. PRESIDENTIAL PROCLAMATION.**

2 After making an emergency declaration under section
3 1711, the President shall declare by proclamation each ac-
4 tion required to minimize the emergency.

5 **SEC. 1713. CONGRESSIONAL RESCISSION OR MODIFICA-**
6 **TION.**

7 (a) TREATMENT OF PROCLAMATION.—A proclama-
8 tion issued pursuant to section 1712 shall be considered
9 to be a final action by the President.

10 (b) ACTION BY CONGRESS.—Congress shall rescind
11 or modify a proclamation issued pursuant to section 1712,
12 if necessary, not later than 30 days after the date of
13 issuance of the proclamation.

14 **SEC. 1714. REPORT TO FEDERAL AGENCIES.**

15 Not later than 30 days after the date on which a
16 proclamation issued pursuant to section 1712 takes effect,
17 and every 30 days thereafter during the effective period
18 of the proclamation, the President shall submit to the
19 head of each appropriate Federal agency a report describ-
20 ing the actions required to be carried out by the proclama-
21 tion.

22 **SEC. 1715. TERMINATION.**

23 (a) IN GENERAL.—Subject to subsection (b), a proc-
24 lamation issued pursuant to section 1712 shall terminate
25 on the date that is 180 days after the date on which the
26 proclamation takes effect.

1 (b) EXTENSION.—The President may request an ex-
2 tension of a proclamation terminated under subsection (a),
3 in accordance with the requirements of this subtitle.

4 (c) CONGRESSIONAL APPROVAL.—Congress shall ap-
5 prove or disapprove a request of the President under sub-
6 section (b) not later than 30 days after the date of receipt
7 of the request.

8 **SEC. 1716. PUBLIC COMMENT.**

9 (a) IN GENERAL.—During the 30-day period begin-
10 ning on the date on which a proclamation is issued pursu-
11 ant to section 1712, the President shall accept public com-
12 ments relating to the proclamation.

13 (b) RESPONSE.—Not later than 60 days after the
14 date on which a proclamation is issued, the President shall
15 respond to public comments received under subsection (a),
16 including by providing an explanation of—

17 (1) the reasons for the relevant emergency dec-
18 laration; and

19 (2) the actions required by the proclamation.

20 (c) NO IMPACT ON EFFECTIVE DATE.—Notwith-
21 standing subsections (a) and (b), a proclamation under
22 section 1712 shall take effect on the date on which the
23 proclamation is issued.

1 **SEC. 1717. PROHIBITION ON DELEGATION.**

2 The President shall not delegate to any individual or
3 entity the authority—

4 (1) to make a declaration under section 1711;

5 or

6 (2) to issue a proclamation under section 1712.

7 **Subtitle C—Administrative**
8 **Procedure and Judicial Review**

9 **SEC. 1721. REGULATORY PROCEDURES.**

10 (a) **IN GENERAL.**—Except as provided in subsection
11 (b), any rule, requirement, regulation, method, standard,
12 program, determination, or final agency action made or
13 promulgated pursuant to this Act shall be subject to the
14 regulatory procedures described in subchapter II of chap-
15 ter 5 of title 5, United States Code.

16 (b) **EXCEPTION.**—Subsection (a) does not apply to
17 the establishment or any allocation of emission allowances
18 under this Act by the Administrator.

19 **SEC. 1722. ENFORCEMENT.**

20 (a) **VIOLATIONS.**—

21 (1) **IN GENERAL.**—It shall be unlawful for any
22 owner or operator of a covered entity to violate any
23 prohibition, requirement, or other provision of this
24 Act (including a regulation promulgated pursuant to
25 this Act).

1 (2) OPERATION OF COVERED ENTITIES.—The
2 operation of any covered entity in a manner that re-
3 sults in emissions of greenhouse gas in excess of the
4 number of emission allowances submitted for compli-
5 ance with section 202 by the covered entity shall be
6 considered to be a violation of this Act.

7 (3) TREATMENT.—Each carbon dioxide equiva-
8 lent of greenhouse gas emitted by a covered entity
9 in excess of the number of emission allowances held
10 by the covered entity shall be considered to be a sep-
11 arate violation of this Act.

12 (b) ENFORCEMENT.—

13 (1) IN GENERAL.—Each provision of this Act,
14 and any regulation promulgated pursuant to this
15 Act, shall be fully enforceable in accordance with
16 sections 113, 303, and 304 of the Clean Air Act (42
17 U.S.C. 7413, 7603, 7604).

18 (2) TREATMENT.—For purposes of enforcement
19 under this subsection, all requirements under this
20 Act shall be considered to be requirements of the
21 Clean Air Act (42 U.S.C. 7401 et seq.), and, for
22 purposes of enforcement under section 304 of that
23 Act (42 U.S.C. 7604), all requirements of this Act
24 shall be considered to be emission standards or limi-
25 tations under that Act (42 U.S.C. 7401 et seq.).

1 (3) MANDATORY DUTIES.—Any provision of
2 this Act relating to a mandatory duty of the Admin-
3 istrator or any other Federal official shall be fully
4 enforceable in accordance with section 304 of the
5 Clean Air Act (42 U.S.C. 7604).

6 (4) JURISDICTION OF UNITED STATES DISTRICT
7 COURTS.—Each United States district court shall
8 have jurisdiction to compel agency action (including
9 discretionary agency action) required under this Act
10 that, as determined by the United States district
11 court, has been unreasonably delayed.

12 (c) JUDICIAL REVIEW.—

13 (1) IN GENERAL.—Any individual or entity may
14 submit a petition for judicial review of any regula-
15 tion promulgated, or final action carried out, by the
16 Administrator or any other Federal official pursuant
17 to this Act.

18 (2) COURT JURISDICTION.—

19 (A) IN GENERAL.—Subject to subpara-
20 graph (B), a petition under paragraph (1) may
21 be filed in the United States court of appeals
22 for the appropriate circuit.

23 (B) PETITIONS AGAINST ADMINIS-
24 TRATOR.—A petition under paragraph (1) relat-
25 ing to a regulation promulgated, or final action

1 carried out, by the Administrator shall be filed
2 only in the United States Court of Appeals for
3 the District of Columbia Circuit, in accordance
4 with section 307(b) of the Clean Air Act (42
5 U.S.C. 7607(b)).

6 (3) REMEDY.—

7 (A) CORRECTION OF DEFICIENCIES.—Sub-
8 ject to subparagraph (B), on a determination
9 by the reviewing court that a final agency ac-
10 tion under this Act is arbitrary, capricious, or
11 unlawful, the court shall require the agency to
12 correct each deficiency identified by the court—

13 (i) as expeditiously as practicable; and

14 (ii) in no case later than the earlier

15 of—

16 (I) the date that is 1 year after
17 the date on which the court makes the
18 determination; and

19 (II) the applicable deadline under
20 this Act for the relevant original agen-
21 cy action.

22 (B) REQUIREMENT.—In selecting a rem-
23 edy for an arbitrary, capricious, or unlawful ac-
24 tion by the agency in carrying out this Act, the
25 reviewing court shall avoid vacating the action

1 if vacating the action could jeopardize the full
2 and timely achievement of the emission reduc-
3 tions required by this Act.

4 (d) LITIGATION COSTS.—A court of competent juris-
5 diction may award costs of litigation (including reasonable
6 attorney and expert witness fees) for a civil action filed
7 pursuant to this section in accordance with section 307(f)
8 of the Clean Air Act (42 U.S.C. 7607(f)).

9 **SEC. 1723. POWERS OF ADMINISTRATOR.**

10 The Administrator shall have the same powers and
11 authorities provided under sections 114 and 307(a) of the
12 Clean Air Act (42 U.S.C. 7414, 7607(a)) in carrying out,
13 administering, and enforcing this Act.

14 **Subtitle D—State Authority**

15 **SEC. 1731. RETENTION OF STATE AUTHORITY.**

16 (a) IN GENERAL.—Except as provided in subsection
17 (b), nothing in this Act precludes, diminishes, or abrogates
18 the right of any State to adopt or enforce—

19 (1) any standard, limitation, or prohibition, or
20 cap relating to emissions of greenhouse gas; or

21 (2) any requirement relating to control, abate-
22 ment, mitigation, or avoidance of emissions of green-
23 house gas.

24 (b) EXCEPTION.—Notwithstanding subsection (a), no
25 State may adopt a standard, limitation, prohibition, cap,

1 or requirement that is less stringent than the applicable
2 standard, limitation, prohibition, or requirements under
3 this Act.

4 **Subtitle E—Tribal Authority**

5 **SEC. 1741. TRIBAL AUTHORITY.**

6 For the purposes of this Act, the Administrator may
7 treat any Indian tribe as a State in accordance with sec-
8 tion 301(d) of the Clean Air Act (42 U.S.C. 7601(d)).

9 **Subtitle F—Clean Air Act**

10 **SEC. 1751. INTEGRATION.**

11 (a) REPORT.—Not later than 2 years after the date
12 of enactment of this Act, the President shall submit to
13 Congress a report describing any direct regulation of car-
14 bon dioxide emissions that has occurred or may occur
15 under the Clean Air Act (42 U.S.C. 7401 et seq.).

16 (b) RECOMMENDATIONS.—The report shall include
17 recommendations of the President to ensure efficiency and
18 certainty in the regulation of carbon dioxide emissions by
19 the Federal Government.

20 **Subtitle G—State–Federal** 21 **Interaction and Research**

22 **SEC. 1761. STUDY AND RESEARCH.**

23 (a) IN GENERAL.—The Administrator shall enter
24 into an arrangement with the National Academy of
25 Sciences or an institution of higher education or collabo-

1 rative of such institutions under which the National Acad-
2 emy of Sciences or institutions shall conduct a study of—

3 (1) the reasonably foreseeable economic and en-
4 vironmental benefits and costs to a State and the
5 United States as a result of the operation by the
6 State of a cap-and-trade program for greenhouse
7 gases, in addition to the Federal programs under
8 this Act;

9 (2) the reasonably foreseeable economic and en-
10 vironmental benefits and costs to a State and the
11 United States as a result of the operation by the
12 State, in addition to the Federal programs under
13 this Act, of a program that achieves greenhouse gas
14 reductions through mechanisms other than a cap-
15 and-trade program, including—

16 (A) efficiency standards for vehicles, build-
17 ings, and appliances;

18 (B) renewable electricity standards;

19 (C) land use planning and transportation
20 policy; and

21 (D) fuel carbon intensity standards; and

22 (3) the reasonably foreseeable effect on emis-
23 sion allowance prices and price volatility, costs to
24 businesses and consumers (including low-income
25 consumers), economic growth, and total cumulative

1 emissions associated with each State program de-
2 scribed in paragraphs (1) and (2), as compared to
3 a national greenhouse gas control policy limited to
4 the Federal programs under this Act.

5 (b) GREAT LAKES CENTER FOR GREEN TECH-
6 NOLOGY MANUFACTURING.—

7 (1) DESIGNATION.—The Administrator, in co-
8 operation with the Secretary of Commerce and the
9 Secretary of Energy, shall designate the University
10 of Toledo as the “Great Lakes Center for Green
11 Technology Manufacturing”, to recognize the impor-
12 tance of research, development, and deployment of
13 manufacturing technology needed to reduce world-
14 wide greenhouse gas emissions.

15 (2) PURPOSES.—The purposes of the Great
16 Lakes Center for Green Technology Manufacturing
17 shall be—

18 (A) to carry out activities to increase do-
19 mestic production of renewable energy tech-
20 nology and components;

21 (B) to develop, or assist in the develop-
22 ment and commercialization of, advanced manu-
23 facturing processes, materials, and infrastruc-
24 ture for a low-carbon economy; and

1 (C) to assist the transition of historically
2 manufacturing-based economies to the produc-
3 tion of renewable energy technologies.

4 (3) FUNDING.—There are authorized to be ap-
5 propriated such sums as are necessary to carry out
6 this subsection.

7 (c) PROCEEDS FROM AUCTIONS.—None of the pro-
8 ceeds from any auction conducted under this Act may be
9 obligated after fiscal year 2047 except as provided in an
10 appropriations Act.