The Tradeable Energy Performance Standards Act

Objective

The objective of the Tradeable Energy Performance Standards (TEPS) Act is to eliminate the net emissions of carbon dioxide (CO2) from power plants and large industrial thermal energy users by 2048 in the most economically-efficient way possible. These emissions account for about 39% of U.S. greenhouse gas emissions.

Market-Based Policy

The TEPS Act will achieve this objective through a market-based cap-and-trade program that covers the CO2 emissions of power plants and large industrial thermal energy users. The program will be administered, tracked and overseen by the Environmental Protection Agency (EPA).

Under the Act, each year, each covered facility will receive from the EPA a certain number of allowances to emit CO2 based on the amount of electricity or useful thermal energy produced that year. This output-based allowance allocation method will ratchet down each year so that by 2048, 20 years after the beginning of the program, no more allowances will be distributed.

The allowances will be fully tradeable. A facility that has more allowances to emit CO2 than it actually emits will be able to sell those additional allowances to a facility with emissions in excess of its allowance. The pricing and terms of those sales will be determined on a bilateral basis, and the allowances will ultimately be submitted to the EPA to ensure that no facility emits in excess of its allowed level, inclusive of third-party purchases. A facility that emits in excess of its allowed levels will be required to pay a fine to the EPA set to three times the highest-priced bilateral contract for CO2 emissions paid in the concurrent calendar year, multiplied by its excess metric tons of emissions.

Safety Valve

To prevent price spikes, facilities will be able to make alternative compliance payments (ACP) in lieu of some or all of their allowance submission requirement. The payment will start at $50 per allowance in 2028, rise to $70 per allowance in 2038 and to the Social Cost of Carbon in 2048. EPA will be required to use any funds paid in this way to purchase the most cost-effective validated out-of-system offsets.

Certainty for New Facilities

In order to accelerate the deployment of low-carbon energy sources the Act will allow bilateral contracts with a duration of 10 years or longer to lock in the current output-based emissions allowance for the both covered facilities so as to provide a guaranteed long-term revenue stream to new, clean sources and to provide existing sources with cost certainty as they navigate the transition to a lower-carbon economy.

U.S. CONGRESSMAN
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