



(Original Signature of Member)

119TH CONGRESS
1ST SESSION

H. R. _____

To amend the Clean Air Act to establish a tradeable energy performance standard for large electricity generators and thermal energy users, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. CASTEN introduced the following bill; which was referred to the
Committee on _____

A BILL

To amend the Clean Air Act to establish a tradeable energy performance standard for large electricity generators and thermal energy users, and for other purposes.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Tradeable Energy Per-
5 formance Standards Act”.

1 **SEC. 2. ESTABLISHING TRADEABLE ENERGY PERFORM-**
2 **ANCE STANDARDS.**

3 The Clean Air Act (42 U.S.C. 7401 et seq.) is amend-
4 ed by adding after title VI the following:

5 **“TITLE VII—TRADEABLE EN-**
6 **ERGY PERFORMANCE STAND-**
7 **ARDS**

- “Sec. 701. Definitions.
- “Sec. 702. Emission allowance submission requirement.
- “Sec. 703. Emission allowance distribution.
- “Sec. 704. Trading of emission allowances.
- “Sec. 705. Emission allowance bilateral purchase agreements.
- “Sec. 706. Voluntary program participation.
- “Sec. 707. Emission allowance tracking system.
- “Sec. 708. Offset program.
- “Sec. 709. Penalty for noncompliance.
- “Sec. 710. Comptroller general reports.
- “Sec. 711. Final regulations.
- “Sec. 712. Savings provisions.

8 **“SEC. 701. DEFINITIONS.**

9 “In this title:

10 “(1) **ALTERNATIVE COMPLIANCE PAYMENT.**—

11 The term ‘Alternative Compliance Payment’ means a
12 payment made under section 703(e) in lieu of the
13 submission of an emission allowance.

14 “(2) **BILATERAL PURCHASE AGREEMENT.**—The
15 term ‘bilateral purchase agreement’ means an agree-
16 ment—

17 “(A) entered into after the date of enact-
18 ment of this title;

19 “(B) for a term of at least 10-years;

1 “(C) between the owner or operator of an
2 Existing Covered Facility and the owner or op-
3 erator of a Newly Constructed Low-Emission
4 Covered Facility; and

5 “(D) in which the owner or operator of an
6 Existing Covered Facility agrees to purchase
7 some or all of the emissions allowances distrib-
8 uted to the owner or operator of a Newly Con-
9 structed Low-Emission Covered Facility.

10 “(3) COVERED COGENERATION FACILITY.—The
11 term ‘Covered Cogeneration Facility’ means a facil-
12 ity that simultaneously produces useful thermal en-
13 ergy output and electricity and—

14 “(A) has a rated electric capacity of 2
15 megawatts or greater; or

16 “(B) is a facility for which the Adminis-
17 trator has approved a request under section
18 706(a)(3).

19 “(4) COVERED ELECTRIC FACILITY.—The term
20 ‘Covered Electric Facility’ means a facility that pro-
21 duces electricity and—

22 “(A) has a rated electric capacity of 2
23 megawatts or greater; or

1 “(B) is a facility for which the Adminis-
2 trator has approved a request under section
3 706(a)(1).

4 “(5) COVERED FACILITY.—The term ‘Covered
5 Facility’ means a Covered Electric Facility, a Cov-
6 ered Thermal Facility, or a Covered Cogeneration
7 Facility.

8 “(6) COVERED THERMAL FACILITY.—The term
9 ‘Covered Thermal Facility’ means a facility—

10 “(A) that produces useful thermal energy
11 output at a Rated Fuel-Based Capacity of at
12 least 50 million British thermal units per hour,
13 calculated on a higher heating value basis, ex-
14 cluding any facility that the Administrator de-
15 termines is used to wholly or partially provide
16 carbon as a chemical ingredient for a process to
17 manufacture goods; or

18 “(B) for which the Administrator has ap-
19 proved a request under section 706(a)(2).

20 “(7) DESIGNATED REPRESENTATIVE.—The
21 term ‘designated representative’ means an individual
22 for which a certificate of representation has been
23 submitted under section 703(e)(3).

24 “(8) EMISSION ALLOWANCE.—The term ‘emis-
25 sion allowance’ means a limited authorization to

1 emit 1 metric ton of carbon dioxide that is distrib-
2 uted under section 703.

3 “(9) EXISTING COVERED FACILITY.—The term
4 ‘Existing Covered Facility’ means a Covered Facil-
5 ity—

6 “(A) the owner or operator of which is a
7 party to a bilateral purchase agreement; and

8 “(B) that produced electricity or useful
9 thermal energy output as of the date on which
10 the owner or operator entered into such agree-
11 ment.

12 “(10) FOSSIL FUEL.—The term ‘fossil fuel’—

13 “(A) means a carbon compound formed in
14 the crust of the Earth from decayed organic
15 material; and

16 “(B) includes natural gas, petroleum, and
17 coal.

18 “(11) HIGHER HEATING VALUE BASIS.—The
19 term ‘higher heating value basis’ means that a given
20 calculation regarding the total energy content of a
21 fuel is made on the basis of the heat produced per
22 unit of fuel when—

23 “(A) complete combustion takes place at
24 constant pressure;

1 “(B) the products of combustion are cooled
2 to the initial temperature of the fuel and air;
3 and

4 “(C) the water vapor formed during com-
5 bustion is condensed.

6 “(12) HOLD.—The term ‘hold’ means, with re-
7 spect to an emission allowance, to have in the appro-
8 priate account created pursuant to the process under
9 section 707(a)(2).

10 “(13) NEWLY CONSTRUCTED LOW-EMISSION
11 COVERED FACILITY.—The term ‘Newly Constructed
12 Low-Emission Covered Facility’ means a Covered
13 Facility—

14 “(A) the owner or operator of which is a
15 party to a bilateral purchase agreement;

16 “(B) that did not produce electricity or
17 useful thermal energy output prior to the date
18 on which the owner or operator entered into
19 such agreement;

20 “(C) that, in the first full calendar year
21 during which the Covered Facility produces
22 electricity or useful thermal energy output,
23 emits a lesser quantity of carbon dioxide per
24 megawatt-hour of electricity production or per
25 million British thermal units of useful thermal

1 energy output than the average Covered Facil-
2 ity.

3 “(14) OUTPUT-BASED CO₂ EMISSIONS.—The
4 term ‘Output-Based CO₂ Emissions’ means the fol-
5 lowing:

6 “(A) COVERED ELECTRIC FACILITY.—For
7 a Covered Electric Facility, the number that
8 equals—

9 “(i) the total number of metric tons of
10 carbon dioxide emissions released by all
11 Covered Electric Facilities in a calendar
12 year; divided by

13 “(ii) the total number of megawatt-
14 hours of electricity produced by all Covered
15 Electric Facilities in such calendar year.

16 “(B) COVERED THERMAL FACILITY.—For
17 a Covered Thermal Facility, the number that
18 equals—

19 “(i) the total number of metric tons of
20 carbon dioxide emissions from all Covered
21 Thermal Facilities in a calendar year; di-
22 vided by

23 “(ii) the total number of millions of
24 British thermal units of useful thermal en-

1 energy output from all Covered Thermal Fa-
2 cilities in such calendar year.

3 “(15) OUTPUT-BASED CO2 EMISSIONS BASE-
4 LINE.—The term ‘Output-Based CO2 Emissions
5 Baseline’ means, with respect to a category of Cov-
6 ered Facility, the Output-Based CO2 Emissions in
7 calendar year 2027.

8 “(16) OUTPUT-BASED CO2 EMISSIONS TAR-
9 GET.—The term ‘Output-Based CO2 Emissions Tar-
10 get’ means the number of metric tons of carbon di-
11 oxide per megawatt-hour or per million British ther-
12 mal units, as applicable, that is used to calculate the
13 number of emission allowances distributed by the
14 Administrator to each Covered Facility under section
15 703.

16 “(17) PERMANENTLY SEQUESTERED.—The
17 term ‘Permanently Sequestered’, with respect to car-
18 bon dioxide, means the carbon dioxide shall not
19 enter the atmosphere for at least 200 years, accord-
20 ing to the best available science.

21 “(18) RATED FUEL-BASED CAPACITY.—The
22 term ‘Rated Fuel-Based Capacity’ means—

23 “(A) for facilities that produce useful ther-
24 mal energy output with the combustion of fuel,

1 the peak fuel combustion rate, expressed in mil-
2 lions of British thermal units per hour; and

3 “(B) for facilities that produce useful ther-
4 mal energy output without the combustion of
5 fuel, the peak useful thermal energy output rate
6 divided by 0.7, expressed in millions of British
7 thermal units per hour.

8 “(19) SOCIAL COST OF CARBON.—The term
9 ‘Social Cost of Carbon’ means the amount, in dol-
10 lars, of the economic damages that would result
11 from emitting one additional metric ton of carbon
12 dioxide into the atmosphere, as determined by the
13 Administrator in accordance with the method de-
14 scribed in the document titled ‘Report on the Social
15 Cost of Greenhouse Gases: Estimates Incorporating
16 Recent Scientific Advances’ as published by the En-
17 vironmental Protection Agency in November 2023.

18 “(20) TOTAL EMISSION ADJUSTMENT INDEX.—
19 The term ‘Total Emission Adjustment Index’ means,
20 with respect to a given year, the number used to ad-
21 just the amount of emission allowances distributed
22 for each megawatt-hour and for each million British
23 thermal units, as applicable, as described under sec-
24 tion 703(e).

1 “(21) TOTAL U.S. CO₂ EMISSIONS.—The term
2 ‘Total U.S. CO₂ Emissions’ means, with respect to
3 a given calendar year, the total amount of carbon di-
4 oxide that would be produced if all the fossil fuels
5 imported into the United States or extracted within
6 the United States were fully combusted.

7 “(22) USEFUL THERMAL ENERGY OUTPUT.—
8 The term ‘useful thermal energy output’—

9 “(A) means the net amount of thermal en-
10 ergy produced by a facility, including thermal
11 energy produced through the use of electricity;
12 and

13 “(B) does not include energy in inlet com-
14 bustion air, feedwater, or other fluids not used
15 as fuels for combustion.

16 **“SEC. 702. EMISSION ALLOWANCE SUBMISSION REQUIRE-**
17 **MENT.**

18 “(a) IN GENERAL.—Beginning in calendar year
19 2028, not later than June 1 of each calendar year, the
20 owner or operator of each Covered Facility shall submit
21 to the Administrator one emission allowance for each met-
22 ric ton of carbon dioxide released directly to the atmos-
23 phere by the facility during the preceding calendar year.

1 “(b) ACQUISITION OF EMISSION ALLOWANCES.—The
2 owner or operator of a Covered Facility may acquire an
3 emission allowance—

4 “(1) by receiving an emission allowance distrib-
5 uted under section 703; and

6 “(2) by purchasing, exchanging, or transferring
7 an emission allowance in accordance with section
8 704.

9 “(c) PERIOD OF USE.—An emission allowance may
10 be used by the owner or operator of a Covered Facility
11 to comply with subsection (a) only for—

12 “(1) the calendar year for which the emission
13 allowance is distributed; or

14 “(2) the following calendar year.

15 “(d) ROUNDING OF EMISSION ALLOWANCES.—Any
16 fraction of an emission allowance shall be rounded to the
17 nearest whole emission allowance.

18 **“SEC. 703. EMISSION ALLOWANCE DISTRIBUTION.**

19 “(a) DISTRIBUTION.—

20 “(1) COVERED ELECTRIC FACILITIES.—For
21 each of calendar years 2028 through 2048, the Ad-
22 ministrator shall, not later than March 1 of a given
23 calendar year, distribute to the owner or operator of
24 each Covered Electric Facility a number of emission
25 allowances equal to the product of—

1 “(A) the number of megawatt-hours of
2 electricity produced by the Covered Electric Fa-
3 cility during the previous calendar year; and

4 “(B) the Output-Based CO2 Emissions
5 Target for the calendar year.

6 “(2) COVERED THERMAL FACILITIES.—For
7 each of calendar years 2028 through 2048, the Ad-
8 ministrator shall, not later than March 1 of a given
9 calendar year, distribute to the owner or operator of
10 each Covered Thermal Facility a number of emission
11 allowances equal to the product of—

12 “(A) the number of millions of British
13 thermal units of useful thermal energy output
14 produced by the Covered Thermal Facility dur-
15 ing the previous calendar year; and

16 “(B) the Output-Based CO2 Emissions
17 Target for the calendar year.

18 “(3) COVERED COGENERATION FACILITIES.—
19 For each of calendar years 2028 through 2048, the
20 Administrator shall, not later than March 1 of a
21 given calendar year, distribute to the owner or oper-
22 ator of each Covered Cogeneration Facility—

23 “(A) for each megawatt hour of electricity
24 produced by the Covered Cogeneration Facility,

1 a number of emission allowances calculated in
2 accordance with paragraph (1); and

3 “(B) for each million British thermal units
4 of useful thermal energy output produced by
5 the Covered Cogeneration Facility, a number of
6 emission allowances calculated in accordance
7 with paragraph (2).

8 “(b) CALCULATION OF THE OUTPUT-BASED CO₂
9 EMISSIONS TARGET.—

10 “(1) 2028.—The Output-Based CO₂ Emissions
11 Target for calendar year 2028 shall equal the Out-
12 put-Based CO₂ Emissions Baseline.

13 “(2) SUBSEQUENT YEARS.—In a given calendar
14 year other than calendar year 2028, the Output-
15 Based CO₂ Emissions Target shall be the greater
16 of—

17 “(A) zero; and

18 “(B) the lesser of—

19 “(i) the Output-Based CO₂ Emissions
20 Target of the preceding calendar year
21 minus 5 percent of the Output-Based CO₂
22 Emissions Baseline;

23 “(ii) the Output-Based CO₂ Emis-
24 sions of the preceding calendar year minus

1 5 percent of the Output-Based CO2 Emis-
2 sions Baseline;

3 “(iii) the Output-Based CO2 Emis-
4 sions Target of preceding calendar year
5 minus 10 percent of the Output-Based
6 CO2 Emissions Baseline minus the Total
7 Emission Adjustment Index of the given
8 calendar year; and

9 “(iv) the Output-Based CO2 Emis-
10 sions of preceding calendar year minus 10
11 percent of the Output-Based CO2 Emis-
12 sions Baseline minus the Total Emission
13 Adjustment Index of the given calendar
14 year.

15 “(c) CALCULATION OF TOTAL EMISSION ADJUST-
16 MENT INDEX.—With respect to a given calendar year, the
17 Total Emission Adjustment Index shall be calculated as
18 1 minus the ratio of—

19 “(1) the Total U.S. CO2 Emissions in the pre-
20 vious calendar year; to

21 “(2) the Total U.S. CO2 Emissions in the cal-
22 endar year that began two years before the given
23 year.

24 “(d) GENERAL RULES.—

1 “(1) IDENTIFICATION NUMBERS.—The Admin-
2 istrator shall assign to each emission allowance dis-
3 tributed under this section a unique identification
4 number.

5 “(2) DESIGNATED REPRESENTATIVES.—The
6 owner or operator of each Covered Facility, and the
7 owner or operator of each other entity holding an
8 emission allowance or receiving an emission allow-
9 ance from the Administrator under this title, shall
10 submit to the Administrator a certificate of rep-
11 resentation designating a designated representative.

12 “(3) PREVENTION OF DOUBLE COUNTING.—
13 The Administrator shall not consider any Covered
14 Facility to which the Administrator distributes emis-
15 sion allowances under this section to be more than
16 one type of facility as defined under paragraphs (3),
17 (4), or (6) of section 701.

18 “(e) ALTERNATIVE COMPLIANCE PAYMENTS.—

19 “(1) IN GENERAL.—The owner or operator of a
20 Covered Facility may satisfy the requirements of
21 section 702(a), in whole or in part, with respect to
22 any calendar year, by submitting to the Adminis-
23 trator an Alternative Compliance Payment in lieu of
24 an emission allowance that would otherwise be due.

25 “(2) AMOUNTS.—

1 “(A) CALENDAR YEARS 2028 THROUGH
 2 2038.—For calendar years 2028 through 2038,
 3 the amount of an Alternative Compliance Pay-
 4 ment shall be as follows, except as the Adminis-
 5 trator shall adjust for inflation:

“Calendar Year	Alternative Compliance Payment
2028	\$50.00
2029	\$52.00
2030	\$54.00
2031	\$56.00
2032	\$58.00
2033	\$60.00
2034	\$62.00
2035	\$64.00
2036	\$66.00
2037	\$68.00
2038	\$70.00

6 “(B) CALENDAR YEARS 2039 THROUGH
 7 2048.—For calendar years 2039 through 2048,
 8 the amount of the Alternative Compliance Pay-
 9 ment for a given year shall annually increase by
 10 an equal amount from \$70 in 2038, adjusted
 11 for inflation under subparagraph (A), to the So-
 12 cial Cost of Carbon in 2048.

13 “(C) CALENDAR YEAR 2048 AND THERE-
 14 AFTER.—The amount of an Alternative Compli-
 15 ance Payment for calendar year 2048 and
 16 thereafter shall be equal to the Social Cost of
 17 Carbon.

1 **“SEC. 704. TRADING OF EMISSION ALLOWANCES.**

2 “(a) PERMITTED TRANSACTIONS.—An entity that
3 holds an emission allowance may—

4 “(1) submit the emission allowances to the Ad-
5 ministrator; and

6 “(2) sell, exchange, and transfer the emission
7 allowance to another entity in accordance with sub-
8 section (c).

9 “(b) LEGAL STATUS OF EMISSION ALLOWANCES.—

10 “(1) IN GENERAL.—An emission allowance dis-
11 tributed by the Administrator under this title does
12 not constitute a property right.

13 “(2) TERMINATION OR LIMITATION.—Nothing
14 in this title shall be construed to limit or alter the
15 authority of the United States to terminate or limit
16 the sale, exchange, transfer, holding, or submission
17 of emission allowances.

18 “(c) EFFECTIVENESS OF EMISSION ALLOWANCE
19 TRANSACTIONS.—No sale, exchange, transfer, or submis-
20 sion of an emission allowance shall be effective for pur-
21 poses of this title until a certification of the sale, transfer,
22 exchange, or submission is—

23 “(1) signed by the designated representative of
24 the entity holding the emission allowance; and

1 “(2) received and recorded by the Adminis-
2 trator in accordance with regulations issued under
3 section 707.

4 **“SEC. 705. EMISSION ALLOWANCE BILATERAL PURCHASE**
5 **AGREEMENTS.**

6 “(a) DISTRIBUTION OF ALLOWANCES TO AN EXIST-
7 ING COVERED FACILITY.—

8 “(1) IN GENERAL.—For a calendar year that is
9 covered by a bilateral purchase agreement, beginning
10 with the first full calendar year during which the
11 Newly Constructed Low-Emission Covered Facility
12 produces electricity or useful thermal energy output,
13 the Administrator shall distribute to the owner or
14 operator of the Existing Covered Facility—

15 “(A) for megawatt hours of electricity or
16 million British thermal units of useful thermal
17 energy output, as applicable, produced by the
18 Existing Covered Facility that are covered by
19 the agreement, a number of emission allowances
20 that is equal to—

21 “(i) such number of megawatt hours
22 or million British thermal units, as appli-
23 cable; multiplied by

24 “(ii) the Output-Based CO₂ Emis-
25 sions for Covered Electric Facilities or

1 Covered Thermal Facilities, as applicable,
2 for such first full calendar year; and

3 “(B) for megawatt hours of electricity or
4 million British thermal units of useful thermal
5 energy output, as applicable, produced by the
6 Existing Facility that are not covered by the
7 agreement, the number of emission allowances
8 calculated under section 703(a).

9 “(2) CALCULATION OF MEGAWATT HOURS OR
10 MILLION BRITISH THERMAL UNITS COVERED BY
11 AGREEMENT.—For purposes of paragraph (1), the
12 number of megawatt hours of electricity or million
13 British thermal units of useful thermal energy out-
14 put, as applicable, produced by an Existing Covered
15 Facility that are covered by the agreement shall be
16 equal to—

17 “(A) the number of emission allowances
18 sold to the owner or operator of the Existing
19 Covered Facility pursuant to the agreement for
20 the first full calendar year described in para-
21 graph (1), divided by the difference of—

22 “(i) the number of emission allow-
23 ances submitted to the Administrator by
24 the owner or operator of the Existing Cov-

1 ered Facility for such first full calendar
2 year; minus

3 “(ii) the number of emission allow-
4 ances distributed to the owner or operator
5 of the Existing Covered Facility by the Ad-
6 ministrators for such first full calendar
7 year; multiplied by

8 “(B) the total number of megawatt hours
9 of electricity or million British thermal units of
10 useful thermal energy output, as applicable,
11 produced by the Existing Covered Facility in
12 such first full calendar year.

13 “(b) DISTRIBUTION OF ALLOWANCES TO A NEWLY
14 CONSTRUCTED LOW-EMISSION COVERED FACILITY.—

15 “(1) IN GENERAL.—For calendar years that are
16 covered by an agreement described in subsection (a),
17 beginning with the first full calendar year during
18 which the Newly Constructed Low-Emission Covered
19 Facility produces at least 1 megawatt-hour of elec-
20 tricity or 1 million British thermal units of useful
21 thermal energy output, the Administrator shall dis-
22 tribute to the owner or operator of the Newly Con-
23 structed Low-Emission Covered Facility—

24 “(A) for megawatt hours of electricity or
25 million British thermal units of useful thermal

1 energy output, as applicable, produced by the
2 Newly Constructed Low-Emission Covered Fa-
3 cility that are covered by the agreement, a num-
4 ber of emission allowances that is equal to—

5 “(i) such number of megawatt hours
6 or million British thermal units of useful
7 thermal energy output; multiplied by

8 “(ii) the Output-Based CO₂ Emis-
9 sions for Covered Electric Facilities or
10 Covered Thermal Facilities, as applicable,
11 for such first full calendar year; and

12 “(B) for megawatt hours of electricity or
13 million British thermal units of useful thermal
14 energy output, as applicable, produced by the
15 Newly Constructed Low-Emission Covered Fa-
16 cility that are not covered by the agreement, the
17 number of emission allowances calculated under
18 section 703(a).

19 “(2) CALCULATION OF MEGAWATT HOURS OR
20 MILLION BRITISH THERMAL UNITS COVERED BY
21 AGREEMENT.—For purposes of paragraph (1), the
22 number of megawatt hours of electricity or million
23 British thermal units of useful thermal energy out-
24 put, as applicable, produced by a Newly Constructed

1 Low-Emission Covered Facility that are covered by
2 the agreement shall be equal to—

3 “(A) the number of emission allowances
4 sold to the owner or operator of the Existing
5 Covered Facility pursuant to the agreement for
6 the first full calendar year described in para-
7 graph (1), divided by the difference of—

8 “(i) the number of emission allow-
9 ances submitted to the Administrator by
10 the owner or operator of the Newly Con-
11 structed Low-Emission Covered Facility
12 for such first full calendar year; minus

13 “(ii) the number of emission allow-
14 ances distributed to the owner or operator
15 of the Newly Constructed Low-Emission
16 Covered Facility by the Administrator for
17 such first full calendar year; multiplied by

18 “(B) the total number of megawatt hours
19 of electricity or million British thermal units of
20 useful thermal energy output, as applicable,
21 produced by the Existing Facility in such first
22 full calendar year.

23 “(c) CONDITIONS.—The owner or operator of an ex-
24 isting Covered Facility or Newly Constructed Low-Emis-
25 sion Covered Facility that is a party to a bilateral pur-

1 chase agreement may receive emission allowances under
2 this section only if such owner or operator provides to the
3 Administrator a copy of—

4 “(1) the applicable bilateral purchase agree-
5 ment; and

6 “(2) any amendment to such bilateral purchase
7 agreement within 30 days of the amendment being
8 made.

9 “(d) REGULATIONS.—The Administrator shall pro-
10 mulgate regulation to ensure the integrity and enforce-
11 ability of contracts executed under this section.

12 **“SEC. 706. VOLUNTARY PROGRAM PARTICIPATION.**

13 “(a) ELIGIBLE ENTITIES.—The Administrator may,
14 upon the request of the owner or operator, classify—

15 “(1) as a Covered Electric Facility, any facility
16 that produces electricity at a Rated Fuel-based Ca-
17 pacity of less than 2 megawatts;

18 “(2) as a Covered Thermal Facility, any facility
19 that produces useful thermal energy output at a
20 Rated Fuel-Based Capacity of less than 50 million
21 British thermal units per hour, calculated on a high-
22 er heating value basis; and

23 “(3) as a Covered Cogeneration Facility, any
24 facility that—

1 “(A) simultaneously produces useful ther-
2 mal energy output and electricity; and

3 “(B) has a rated electric capacity of less
4 than 2 megawatts.

5 “(b) DESIGNATION OF REPRESENTATIVE.—The Ad-
6 ministrators shall approve a request submitted under sub-
7 section (a) if the owner or operator of the facility des-
8 ignates a representative under section 703(d)(2).

9 “(c) DEADLINE FOR NOTIFICATION.—Not later than
10 90 days after receipt of a request submitted under sub-
11 section (a), the Administrator shall notify the owner or
12 operator of the facility whether the Administrator ap-
13 proves or disapproves the request.

14 “(d) TERMINATION OF CLASSIFICATION.—The Ad-
15 ministrators shall terminate the classification of a facility
16 as a Covered Facility under subsection (a) if, during the
17 previous calendar year, the facility did not—

18 “(1) produce electricity; or

19 “(2) produce useful thermal energy output.

20 **“SEC. 707. EMISSION ALLOWANCE TRACKING SYSTEM.**

21 “(a) REGULATIONS.—The Administrator shall issue
22 regulations to provide for—

23 “(1) the establishment of a system to process
24 the distribution of emission allowances to Covered
25 Facilities under section 703 and section 705;

1 “(2) a process to create accounts in which Cov-
2 ered Facilities and other entities may hold emission
3 allowances;

4 “(3) the establishment of an emission allowance
5 tracking system to track—

6 “(A) the number of emission allowances
7 sold, exchanged, transferred, and submitted;

8 “(B) the price or monetary value of such
9 emission allowances;

10 “(C) the date of each such sale, exchange,
11 transfer, and submission;

12 “(D) the parties involved in each such sale,
13 exchange, transfer, and submission; and

14 “(E) any additional information the Ad-
15 ministrators determines necessary to ensure the
16 integrity and efficiency of the market for emis-
17 sion allowances; and

18 “(4) the weekly publication by the Adminis-
19 trator on the website of the Environmental Protec-
20 tion Agency, in a publicly available and searchable
21 format, of—

22 “(A) a summary of average prices or mon-
23 etary values of emission allowances, the total
24 number of emission allowances sold, exchanged,
25 transferred, or submitted, and any other addi-

1 tional information determined by the Adminis-
2 trator as necessary to ensure the integrity and
3 efficiency of the market for emission allow-
4 ances;

5 “(B) the number of emission allowances
6 distributed by the Administrator under section
7 703 and section 705;

8 “(C) the number of emission allowances
9 distributed by the Administrator under section
10 703 and section 705 during the calendar year
11 before the year of publication that are held at
12 the end of each month of the current calendar
13 year by each category of Covered Facility; and

14 “(D) the number of emission allowances
15 submitted to the Administrator each year by
16 each category of Covered Facility.

17 “(b) POSITION LIMITS.—The Administrator, in con-
18 sultation with the Commodity Futures Trading Commis-
19 sion, shall establish by regulation limits on the number
20 of emission allowances that an entity may hold so that,
21 in the determination of the Administrator—

22 “(1) no entity shall hold a number of emission
23 allowances that may influence the price or monetary
24 value of emission allowances; and

1 “(2) adequate liquidity for buyers and sellers of
2 emission allowances shall be ensured.

3 “(c) STATUS OF SUBMITTED EMISSION ALLOW-
4 ANCES.—Once an emission allowance is submitted to the
5 Administrator under section 702, the emission allowance
6 shall be disqualified from subsequent use under this title,
7 including subsequent sale, exchange, transfer, and submis-
8 sion.

9 “(d) ORDERLY AND COMPETITIVE MARKET.—The
10 Administrator shall issue regulations as necessary in the
11 determination of the Administrator for an orderly and
12 competitive market for selling, exchanging, transferring,
13 and submitting emission allowances.

14 **“SEC. 708. OFFSET PROGRAM.**

15 “(a) CARBON MITIGATION FUND.—

16 “(1) CREATION OF FUND.—The Administrator
17 shall establish a fund to be known as the ‘Carbon
18 Mitigation Fund’.

19 “(2) ADMINISTRATION.—The Carbon Mitiga-
20 tion Fund shall be administered by the Adminis-
21 trator.

22 “(3) DEPOSITS.—There shall be deposited into
23 the Carbon Mitigation Fund the following:

1 “(A) The amounts paid as Alternative
2 Compliance Payments pursuant to section
3 703(e).

4 “(B) The amounts collected as civil pen-
5 alties under section 709.

6 “(4) APPROPRIATION.—Amounts in the Carbon
7 Mitigation Fund shall be available without further
8 appropriation or fiscal year limitation to carry out
9 the Offset Program under subsection (b).

10 “(b) OFFSET PROGRAM.—

11 “(1) IN GENERAL.—The Administrator shall
12 carry out a program (to be known as the ‘Offset
13 Program’) to award grants to entities to carry out
14 activities that avoid emissions of greenhouse gases
15 or permanently sequester carbon dioxide from the
16 atmosphere, as determined in accordance with para-
17 graph (3).

18 “(2) ACTIVITIES.—The activities described in
19 paragraph (1) may include—

20 “(A) improvements to the energy efficiency
21 of existing facilities and devices;

22 “(B) improvements to the electrical grid;

23 “(C) the replacement of natural gas space
24 heaters, natural gas water heaters, and natural
25 gas stoves with electric appliances;

1 “(D) the replacement of fossil fuel-powered
2 vehicles owned by State or local agencies with
3 electric vehicles or other low-carbon fuel vehi-
4 cles;

5 “(E) the replacement of fossil fuel-powered
6 ground airport and seaport vehicles with electric
7 vehicles or other low-carbon fuel vehicles;

8 “(F) installation of charging stations for
9 electric vehicles along highways and other pub-
10 lic roads in urban areas and rural areas in
11 which the availability of such charging stations
12 is significantly below the national average; and

13 “(G) beneficial electrification-related re-
14 ductions not otherwise identified in this para-
15 graph.

16 “(3) CRITERIA.—The Administrator may only
17 award grants under the Offset Program for an activ-
18 ity for which the Administrator determines that—

19 “(A) the amount of greenhouse gas emis-
20 sions to be avoided or permanently sequestered
21 from the atmosphere by the activity will be ade-
22 quately confirmed through monitoring, report-
23 ing, and verification;

24 “(B) the risk that some amount of the car-
25 bon dioxide that is to be sequestered from the

1 atmosphere by the activity may reenter the at-
2 mosphere at a later date is adequately reflected
3 through a discounting of the amount described
4 in paragraph (4)(C)(ii);

5 “(C) the risk that some amount of the
6 greenhouse gases, the emission of which is
7 avoided by the activity, may enter the atmos-
8 phere at a later date is adequately reflected
9 through a discounting of the amount described
10 in paragraph (4)(C)(i);

11 “(D) the risk that the activity may directly
12 or indirectly increase the release of greenhouse
13 gases from another location has been ade-
14 quately addressed;

15 “(E) the activity is not required, or being
16 supported financially (except pursuant to this
17 subsection), by a Federal, State, or local law,
18 program, or activity; and

19 “(F) if the activity involves land use, the
20 activity—

21 “(i) aligns with the Sustainable Devel-
22 opment Goals, as adopted by of the United
23 Nations under the Post-2015 Development
24 Agenda, and amended by the United Na-
25 tions, including being consistent with the

1 conservation of biological diversity and nat-
2 ural ecosystems (including forests and
3 grasslands); and

4 “(ii) maintains ecosystem services and
5 other social and environmental benefits.

6 “(4) PROPOSALS.—In order to apply for a
7 grant awarded under the Offset Program, an entity
8 shall submit to the Administrator a proposal that—

9 “(A) describes the activity to be carried
10 out with the grant;

11 “(B) identifies the amount of money for
12 which the entity is applying;

13 “(C) identifies the amount (to be measured
14 in one-year increments) of, as applicable—

15 “(i) greenhouse gas emissions to be
16 avoided by the activity; and

17 “(ii) carbon dioxide to be permanently
18 sequestered from the atmosphere by the
19 activity;

20 “(D) identifies the bid amount, expressed
21 as dollars per metric ton, which shall be the
22 quotient obtained by dividing the amount iden-
23 tified under subparagraph (B) by the amount
24 identified under subparagraph (C);

1 “(E) provides any information required by
2 the Administrator in order to make a deter-
3 mination described in paragraph (3); and

4 “(F) provides any other certifications the
5 Administrator determines appropriate.

6 “(5) DEADLINES.—

7 “(A) SOLICITATION.—Not later than Feb-
8 ruary 1, 2028, and each February 1 thereafter,
9 the Administrator shall solicit proposals for ac-
10 tivities described in paragraph (1) for which the
11 Administrator may award grants under the Off-
12 set Program.

13 “(B) IDENTIFICATION.—Not later than
14 June 1, 2028, and each June 1 thereafter, the
15 Administrator shall identify and publish a list
16 of proposals that have been submitted by March
17 1 of the applicable year for activities described
18 in paragraph (1) that qualify for an award of
19 a grant under the Offset Program.

20 “(C) AWARD OF GRANTS.—Not later than
21 August 1, 2028, and each August 1 thereafter,
22 the Administrator shall, to the extent amounts
23 are available in the Carbon Mitigation Fund,
24 award grants to entities that submitted a pro-

1 posals that is listed pursuant to subparagraph
2 (B).

3 “(6) AWARDS TO MOST COST-EFFECTIVE AC-
4 TIVITIES.—The Administrator shall award funds to
5 entities for activities described in proposals identi-
6 fied under paragraph (5)(B)—

7 “(A) beginning by awarding funds to the
8 entity submitting such a proposal with the low-
9 est bid amount identified pursuant to para-
10 graph (4)(D); and

11 “(B) then awarding funds to entities se-
12 quentially by entity submitting such a proposal
13 with the next lowest bid amount so identified
14 until all funds are awarded.

15 “(c) REGULATIONS REGARDING CARBON DIOXIDE
16 SEQUESTRATION.—

17 “(1) REGULATIONS.—Under section 711, the
18 Administrator shall issue regulations establishing—

19 “(A) the conditions under which carbon di-
20 oxide may be safely and permanently seques-
21 tered;

22 “(B) the methods and processes by which
23 carbon dioxide may be safely and permanently
24 sequestered, including by incorporating the car-
25 bon in a commercial product; and

1 “(C) requirements to account for the risk
2 that some fraction of the carbon dioxide in-
3 tended to be permanently sequestered may be
4 emitted into the atmosphere.

5 “(2) EXISTING REQUIREMENTS.—In issuing
6 regulations described in this subsection, the Admin-
7 istrator shall incorporate to the extent practicable
8 any existing requirements for the sequestration of
9 carbon dioxide, including any requirements promul-
10 gated under section 45Q of the Internal Revenue
11 Code of 1986.

12 “(d) CONSULTATION.—The Administrator shall con-
13 sult with the Secretary of the Interior and the Secretary
14 of Agriculture in issuing regulations to measure, monitor,
15 and verify any natural sequestration activities carried out
16 using a grant awarded under the Offset Program.

17 **“SEC. 709. PENALTY FOR NONCOMPLIANCE.**

18 “(a) CIVIL PENALTY.—

19 “(1) IN GENERAL.—The owner or operator of a
20 Covered Facility that fails to submit an emission al-
21 lowance as required by section 702(a) shall be liable
22 for payment to the Administrator of a penalty in the
23 amount described in paragraph (2).

1 “(2) AMOUNT.—The amount of a penalty de-
2 scribed in this paragraph shall be equal to the prod-
3 uct of—

4 “(A) three times the highest price or mon-
5 etary value during the previous calendar year
6 (as indicated by the emission allowance tracking
7 system established pursuant to section 707) for
8 the sale, exchange, or transfer of an emission
9 allowance; and

10 “(B) the number of emission allowances
11 that the owner or operator of the Covered Fa-
12 cility failed to submit as described in paragraph
13 (1).

14 “(3) TIMING.—A penalty required under this
15 subsection shall be immediately due to the Adminis-
16 trator, without demand by the Administrator.

17 “(4) NO EFFECT ON LIABILITY.—A penalty due
18 by the owner or operator of a Covered Facility under
19 this subsection shall not diminish the liability of the
20 owner or operator for any fine, penalty, or assess-
21 ment against the owner or operator for the same vio-
22 lation under any other provision of this Act or any
23 other law.

24 “(b) REPLACEMENT EMISSION ALLOWANCES.—The
25 owner or operator of a Covered Facility that fails to sub-

1 mit one or more emission allowances as required under
2 section 702(a) for a calendar year shall submit a number
3 of emission allowances that is equal to sum of the number
4 the owner or operator failed to submit and the emission
5 allowances otherwise required to be submitted by the April
6 1 deadline of the second succeeding calendar year.

7 **“SEC. 710. COMPTROLLER GENERAL REPORTS.**

8 “Not later than January 1, 2029, and every 2 years
9 thereafter, the Comptroller General of the United States
10 shall submit to Congress a report on the results of imple-
11 mentation of this title, which shall include—

12 “(1) a comprehensive evaluation of—

13 “(A) the efficiency, transparency, and in-
14 tegrity of the distribution of emission allow-
15 ances under section 703 and section 705;

16 “(B) the cost-effectiveness of this title in
17 reducing greenhouse gas emissions; and

18 “(C) the effectiveness of this title in—

19 “(i) creating and preserving jobs;

20 “(ii) ensuring a manageable transition
21 to a zero-emission economy for working
22 families and workers;

23 “(iii) driving the innovation and de-
24 ployment of zero-emission technologies;

25 and

1 “(iv) maintaining an orderly and com-
2 petitive market for selling, exchanging,
3 transferring, and submitting emission al-
4 lowances; and

5 “(2) recommendations, if any, for legislative,
6 regulatory, or administrative changes with respect to
7 this title to improve its effectiveness.

8 **“SEC. 711. FINAL REGULATIONS.**

9 “The Administrator shall issue final regulations to
10 carry out this title not later than 24 months after the date
11 of enactment of this title.

12 **“SEC. 712. SAVINGS PROVISIONS.**

13 “Nothing in this title shall be interpreted to affect
14 the requirements of any other title of this Act.”.