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(Original Signature of Member)

115TH CONGRESS
2D SESSION

H. R. _____

To create a Carbon Dividend Trust Fund for the American people in order to encourage market-driven innovation of clean energy technologies and market efficiencies which will reduce harmful pollution and leave a healthier, more stable, and more prosperous nation for future generations.

IN THE HOUSE OF REPRESENTATIVES

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

A BILL

To create a Carbon Dividend Trust Fund for the American people in order to encourage market-driven innovation of clean energy technologies and market efficiencies which will reduce harmful pollution and leave a healthier, more stable, and more prosperous nation for future generations.

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

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Energy Innovation and
3 Carbon Dividend Act of 2018”.

4 **SEC. 2. FINDINGS.**

5 The Congress finds that—

6 (1) efficient markets strengthen our economy
7 and benefit our Nation by encouraging competition,
8 innovation, and technological progress;

9 (2) efficient markets should reflect all costs of
10 goods to ensure that they advance America’s pros-
11 perity and national interests;

12 (3) emissions of carbon pollution and other
13 harmful pollutants into our Nation’s air impose sub-
14 stantial costs on all Americans and on future gen-
15 erations; and

16 (4) creation of a Carbon Dividend Trust Fund,
17 to be distributed to the American people, will make
18 markets more efficient, create jobs, and stimulate
19 competition, innovation, and technological progress
20 that benefit all Americans and future generations.

21 **SEC. 3. CARBON DIVIDENDS AND CARBON FEE.**

22 (a) **IN GENERAL.**—The Internal Revenue Code of
23 1986 is amended by adding at the end the following new
24 subtitle:

1 **“Subtitle L—CARBON DIVIDENDS**
2 **AND CARBON FEE**

“CHAPTER 101. CARBON FEES.

“CHAPTER 102. CARBON BORDER FEE ADJUSTMENT.

3 **“CHAPTER 101—CARBON FEES**

“Sec. 9901. Definitions.

“Sec. 9902. Carbon fee.

“Sec. 9903. Emissions reduction schedule.

“Sec. 9904. Fee on fluorinated greenhouse gases.

“Sec. 9905. Decommissioning of Carbon Administration.

“Sec. 9906. Carbon Capture and Sequestration.

“Sec. 9907. Administrative authority.

4 **“SEC. 9901. DEFINITIONS.**

5 “For purposes of this subtitle:

6 “(a) ADMINISTRATOR.—The term ‘Administrator’
7 means the Administrator of the Environmental Protection
8 Agency.

9 “(b) CARBON DIOXIDE EQUIVALENT OR CO₂-E.—
10 The term ‘carbon dioxide equivalent’ or ‘CO₂-e’ means the
11 number of metric tons of carbon dioxide emissions with
12 the same global warming potential as one metric ton of
13 another greenhouse gas.

14 “(c) CARBON-INTENSIVE PRODUCT.—The term ‘car-
15 bon-intensive product’ means, as identified by the Sec-
16 retary by rule—

17 “(1) any manufactured or agricultural product
18 which the Secretary in consultation with the Admin-
19 istrator determines is emissions-intensive and trade-

1 exposed, except that no covered fuel is a carbon-in-
2 tensive product, and

3 “(2) until such time that the Secretary promul-
4 gates rules identifying carbon-intensive products, the
5 following shall be considered carbon-intensive prod-
6 ucts: iron, steel, steel mill products (including pipe
7 and tube), aluminum, cement, glass (including flat,
8 container, and specialty glass and fiberglass), pulp,
9 paper, chemicals, or industrial ceramics.

10 “(d) CARBON LEAKAGE.—The term ‘carbon leakage’
11 means an increase of global greenhouse gas emissions
12 which are substantially due to the relocation of greenhouse
13 gas sources from the United States to jurisdictions which
14 lack comparable controls upon greenhouse gas emissions.

15 “(e) COST OF CARBON OR CARBON COSTS.—The
16 term ‘cost of carbon’ or ‘carbon costs’ means a national
17 or sub-national government policy which explicitly places
18 a price on greenhouse gas pollution and shall be limited
19 to either a tax on greenhouse gases or a system of cap-
20 and-trade. The cost of carbon is expressed as the price
21 per ton of CO₂-e.

22 “(f) COVERED ENTITY.—The term ‘covered entity’
23 means—

24 “(1) in the case of crude oil—

1 “(A) a refinery operating in the United
2 States, and

3 “(B) any importer of any petroleum or pe-
4 troleum product into the United States,

5 “(2) in the case of coal—

6 “(A) any coal mining operation in the
7 United States, and

8 “(B) any importer of coal into the United
9 States,

10 “(3) in the case of natural gas—

11 “(A) any entity entering pipeline quality
12 natural gas into the natural gas transmission
13 system, and

14 “(B) any importer of natural gas into the
15 United States,

16 “(4) in the case of fluorinated gases any entity
17 required to report the emission of a fluorinated gas
18 under part 98 of title 40, Code of Federal Regula-
19 tions, and

20 “(5) any entity or class of entities which, as de-
21 termined by the Secretary, is transporting, selling,
22 or otherwise using a covered fuel in a manner which
23 emits a greenhouse gas to the atmosphere and which
24 has not been covered by the carbon fee, the

1 fluorinated greenhouse gas fee, or the carbon border
2 fee adjustment.

3 “(g) COVERED FUEL.—The term ‘covered fuel’
4 means crude oil, natural gas, coal, or any other product
5 derived from crude oil, natural gas, or coal which shall
6 be used so as to emit greenhouse gases to the atmosphere.

7 “(h) CRUDE OIL.—The term ‘crude oil’ means
8 unrefined petroleum.

9 “(i) EXPORT.—The term ‘export’ means to transport
10 a product from within the jurisdiction of the United States
11 to persons outside the United States.

12 “(j) FLUORINATED GREENHOUSE GAS.—The term
13 ‘fluorinated greenhouse gas’ means sulfur hexafluoride
14 (SF₆), nitrogen trifluoride (NF₃), and any fluorocarbon
15 except for controlled substances as defined in subpart A
16 of part 82 of title 40, Code of Federal Regulation, and
17 substances with vapor pressures of less than 1 mm of Hg
18 absolute at 25 degrees. With these exceptions, ‘fluorinated
19 greenhouse gas’ includes but is not limited to any
20 hydrofluorocarbon, any perfluorocarbon, any fully
21 fluorinated linear, branched or cyclic alkane, ether, ter-
22 tiary amine or aminoether, any perfluoropolyether, and
23 any hydrofluoropolyether.

1 “(k) FOSSIL FUEL.—The term ‘fossil fuel’ means
2 coal, coal products, petroleum, petroleum products, or nat-
3 ural gas.

4 “(l) FULL FUEL CYCLE GREENHOUSE GAS EMIS-
5 SIONS.—The term ‘full fuel cycle greenhouse gas emis-
6 sions’ means the greenhouse gas content of a covered fuel
7 plus that covered fuel’s upstream greenhouse gas emis-
8 sions.

9 “(m) GLOBAL WARMING POTENTIAL.—The term
10 ‘global warming potential’ means the ratio of the time-
11 integrated radiative forcing from the instantaneous release
12 of one kilogram of a trace substance relative to that of
13 one kilogram of carbon dioxide.

14 “(n) GREENHOUSE GAS.—The term ‘greenhouse gas’
15 means carbon dioxide (CO₂), methane (CH₄), nitrous
16 oxide (N₂O), sulfur hexafluoride (SF₆),
17 hydrofluorocarbons (HFCs), perfluorocarbon (PFCs), and
18 other gases as defined by rule of the Administrator.

19 “(o) GREENHOUSE GAS CONTENT.—The term
20 ‘greenhouse gas content’ means the amount of greenhouse
21 gases, expressed in metric tons of CO₂-e, which would be
22 emitted to the atmosphere by the use of a covered fuel
23 and shall include, nonexclusively, emissions of carbon diox-
24 ide (CO₂), nitrous oxide (N₂O), methane (CH₄), and other

1 greenhouse gases as identified by rule of the Adminis-
2 trator.

3 “(p) GREENHOUSE GAS EFFECT.—The term ‘green-
4 house gas effect’ means the adverse effects of greenhouse
5 gases on health or welfare caused by the greenhouse gas’s
6 heat-trapping potential or its effect on ocean acidification.

7 “(q) IMPORT.—Irrespective of any other definition in
8 law or treaty, the term ‘import’ means to land on, bring
9 into, or introduce into any place subject to the jurisdiction
10 of the United States.

11 “(r) PETROLEUM.—The term ‘petroleum’ means oil
12 removed from the earth or the oil derived from tar sands
13 or shale.

14 “(s) PRODUCTION GREENHOUSE GAS EMISSIONS.—
15 The term ‘production greenhouse gas emissions’ means
16 the quantity of greenhouse gases, expressed in metric tons
17 of CO₂-e, emitted to the atmosphere resulting from, non-
18 exclusively, the production, manufacture, assembly, trans-
19 portation, or financing of a product.

20 “(t) UPSTREAM GREENHOUSE GAS EMISSIONS.—
21 The term ‘upstream greenhouse gas emissions’ means the
22 quantity of greenhouse gases, expressed in metric tons of
23 CO₂-e, emitted to the atmosphere resulting from, non-
24 exclusively, the extraction, processing, transportation, fi-
25 nancing, or other preparation of a covered fuel for use.

1 **“SEC. 9902. CARBON FEE.**

2 “(a) CARBON FEE.—There is hereby imposed a car-
3 bon fee on any covered entity’s emitting use, or sale or
4 transfer for an emitting use, of any covered fuel.

5 “(b) AMOUNT OF THE CARBON FEE.—The carbon
6 fee imposed by this section is an amount equal to—

7 “(1) the greenhouse gas content of the covered
8 fuel, multiplied by

9 “(2) the carbon fee rate.

10 “(c) CARBON FEE RATE.—For purposes of this sec-
11 tion—

12 “(1) IN GENERAL.—The carbon fee rate, with
13 respect to any use, sale, or transfer during a cal-
14 endar year, shall be—

15 “(A) in the case of calendar year 2019,
16 \$15, and

17 “(B) except as provided in paragraph (2),
18 in the case of any calendar year thereafter, the
19 carbon fee rate in effect under this subsection
20 for the preceding calendar year, plus \$10,

21 “(2) EXCEPTIONS.—

22 “(A) INCREASED CARBON FEE RATE
23 AFTER MISSED ANNUAL EMISSIONS REDUCTION
24 TARGET.—In the case of any year immediately
25 following a year for which the Secretary deter-
26 mines under 9903(b) that the actual emissions

1 of greenhouse gases from covered fuels exceeded
2 the emissions reduction target for the previous
3 year, paragraph (1)(B) shall be applied by sub-
4 stituting ‘\$15’ for ‘\$10’.

5 “(B) CESSATION OF CARBON FEE RATE IN-
6 CREASE AFTER CERTAIN EMISSION REDUCTIONS
7 ACHIEVED.—In the case of any year imme-
8 diately following a year for which the Secretary
9 determines under 9903(b) that actual emissions
10 of greenhouse gases from covered fuels is not
11 more than 10 percent of the greenhouse gas
12 emissions from covered fuels during the year
13 2015, paragraph (1)(B) shall be applied by sub-
14 stituting ‘\$0’ for ‘\$10’.

15 “(d) EXEMPTION AND REFUND.—The Secretary
16 shall prescribe such rules as are necessary to ensure the
17 fee imposed by this section is not imposed with respect
18 to any nonemitting use, or any sale or transfer for a non-
19 emitting use, including rules providing for the refund of
20 any carbon fee paid under this section with respect to any
21 such use, sale, or transfer.

22 “(e) AGRICULTURE EXEMPTIONS.—

23 “(1) FUEL.—If any covered fuel or its deriva-
24 tive is used on a farm for a farming purpose, the
25 Secretary shall pay (without interest) to the ultimate

1 purchaser of such covered fuel or its derivative, the
2 total amount of carbon fees previously paid upon
3 that covered fuel, as specified by rule of the Sec-
4 retary.

5 “(2) FARM, FARMING USE, AND FARMING PUR-
6 POSE.—The terms ‘farm’, ‘farming use’, and ‘farm-
7 ing purpose’ shall have the respective meanings
8 given such terms under section 6420(c).

9 “(3) OTHER GREENHOUSE GASES EMISSIONS
10 FROM AGRICULTURE.—The carbon fee shall not be
11 levied upon non-fossil fuel greenhouse gas emissions
12 which occur on a farm.

13 **“SEC. 9903. EMISSIONS REDUCTION SCHEDULE.**

14 “(a) IN GENERAL.—An emissions reduction schedule
15 for greenhouse gas emissions from covered fuels is hereby
16 established, as follows:

17 “(1) REFERENCE YEAR.—The greenhouse gas
18 emissions from covered fuels during the year 2015
19 shall be the reference amount of emissions and shall
20 be determined from the ‘Inventory of U.S. Green-
21 house Gas Emissions and Sinks: 1990–2015’ pub-
22 lished by the Environmental Protection Agency in
23 April of 2017.

24 “(2) EMISSIONS REDUCTION TARGET.—The
25 first emission reduction target shall be for the year

1 2022. The emission target for each year thereafter
 2 shall be the previous year’s target emissions minus
 3 a percentage of emissions during the reference year
 4 determined in accordance with the following table:

“Year	Emissions Reduction Target
2015	Reference year
2018 to 2021	No emissions reduction target
2022 to 2030	5 percent of 2015 emissions per year
2030 to 2040	2.5 percent of 2015 emissions per year
2040 to 2050	1.5 percent of 2015 emissions per year

5 “(b) ADMINISTRATIVE DETERMINATION.—Not later
 6 than 60 days after the beginning of each calendar year
 7 beginning after the enactment of this section, the Sec-
 8 retary, in consultation with the Administrator, shall deter-
 9 mine whether actual emissions of greenhouse gases from
 10 covered fuels exceeded the emissions reduction target for
 11 the preceding calendar year. The Secretary shall make
 12 such determination using the same greenhouse gas ac-
 13 counting method as was used to determine the greenhouse
 14 gas emissions in the ‘Inventory of U.S. Greenhouse Gas
 15 Emissions and Sinks: 1990–2015’ published by the Envi-
 16 ronmental Protection Agency in April of 2017.

17 **“SEC. 9904. FEE ON FLUORINATED GREENHOUSE GASES.**

18 “(a) FLUORINATED GAS FEE.—A fee is hereby im-
 19 posed upon any fluorinated greenhouse gas which is re-

1 quired to be reported under part 98 of title 40, Code of
2 Federal Regulations.

3 “(b) AMOUNT.—The fee to be paid by the covered
4 entity required to so report shall be an amount equal to—

5 “(1) the total amount, in metric tons of CO₂-
6 e, of emitted fluorinated greenhouse gases (or, in the
7 case of a supplier, emissions that would result deter-
8 mined under the rules of such part), multiplied by

9 “(2) an amount equal to 10 percent of the car-
10 bon fee rate in effect under section 9902(d)(1) for
11 the calendar year of such emission.

12 **“SEC. 9905. DECOMMISSIONING OF CARBON FEE.**

13 “(a) IN GENERAL.—At such time that—

14 “(1) the Secretary determines under 9903(b)
15 that actual emissions of greenhouse gases from cov-
16 ered fuels is not more than 10 percent of the green-
17 house gas emissions from covered fuels during the
18 year 2015, and

19 “(2) the monthly carbon dividend payable to an
20 adult eligible individual has been less than \$20 for
21 3 consecutive years,

22 the Secretary shall decommission in an orderly manner all
23 bureaus and programs associated with administering the
24 carbon fee, the carbon border fee adjustment, and the Car-
25 bon Dividend Trust Fund.

1 “(b) INFLATION ADJUSTMENT.—In the case of any
2 calendar year after 2018, the \$20 amount under sub-
3 section (a)(2) shall be increased by an amount equal to—

4 “(1) such dollar amount, multiplied by

5 “(2) cost-of-living adjustment determined under
6 section 1(f)(3) for the calendar year, determined by
7 substituting ‘calendar year 2017’ for ‘calendar year
8 2016’ in subparagraph (A)(ii) thereof.

9 **“SEC. 9906. CARBON CAPTURE AND SEQUESTRATION.**

10 “(a) IN GENERAL.—The Secretary, in consultation
11 with the Administrator and the Secretary of Energy, shall
12 prescribe regulations for making payments as provided in
13 subsection (b) to qualified facilities which capture and se-
14 quester qualified carbon dioxide.

15 “(b) PAYMENT AMOUNTS.—

16 “(1) IN GENERAL.—The Secretary shall make
17 payments to a qualified facility in the same manner
18 as if such payment was a refund of an overpayment
19 of the carbon fee imposed by section 9902, in cases
20 in which such qualified facility—

21 “(A) uses any covered fuel—

22 “(i) with respect to which the carbon
23 fee has been paid, and

24 “(ii) which results in the emission of
25 qualified carbon dioxide,

1 “(B) captures such emitted qualified car-
2 bon dioxide, and

3 “(C)(i) sequesters such qualified carbon di-
4 oxide in a manner which is safe, permanent,
5 and in compliance with any applicable local,
6 State, and Federal laws, or

7 “(ii) utilizes such qualified carbon dioxide
8 in a manner provided in paragraph (3)(C).

9 “(2) AMOUNT OF REFUND.—The payment de-
10 termined under this section shall be an amount
11 equal to the lesser of—

12 “(A)(i) the adjusted metric tons of quali-
13 fied carbon dioxide captured and sequestered or
14 utilized, multiplied by

15 “(ii) the carbon fee rate during the year in
16 which the carbon fee was imposed by section
17 9902 upon the covered fuel to which such car-
18 bon dioxide relates, or

19 “(B) the amount of the carbon fee imposed
20 by section 9902 with respect to such covered
21 fuel.

22 “(3) DEFINITIONS AND SPECIAL RULES.—For
23 purposes of this section—

24 “(A) QUALIFIED CARBON DIOXIDE; QUALI-
25 FIED FACILITY.—

1 “(i) QUALIFIED CARBON DIOXIDE.—

2 The term ‘qualified carbon dioxide’ has the
3 same meaning given such term under sec-
4 tion 45Q(b).

5 “(ii) QUALIFIED FACILITY.—The term
6 ‘qualified facility’ means any industrial fa-
7 cility at which carbon capture equipment is
8 placed in service.

9 “(B) ADJUSTED TOTAL METRIC TONS.—
10 The adjusted total metric tons of qualified car-
11 bon dioxide captured and sequestered or utilized
12 shall be the total tons of qualified carbon diox-
13 ide captured and sequestered or utilized, re-
14 duced by the amount of any carbon dioxide like-
15 ly to escape and be emitted into the atmosphere
16 due to imperfect storage technology or other-
17 wise, as determined by the Secretary in con-
18 sultation with the Administrator.

19 “(C) UTILIZATION.—The Secretary, in
20 consultation with the Administrator, shall es-
21 tablish regulations providing for the methods
22 and processes by which qualified carbon dioxide
23 may be utilized so as to remove that qualified
24 dioxide safely and permanently from the atmos-
25 phere. Utilization may include the production of

1 substances such as but not limited to plastics
2 and chemicals. Such regulations shall minimize
3 the escape or further emission of the qualified
4 carbon dioxide into the atmosphere.

5 “(D) SEQUESTRATION.—Not later 540
6 days after the date of the enactment of this sec-
7 tion, the Secretary, in consultation with the Ad-
8 ministrator, shall prescribe regulations identi-
9 fying the conditions under which carbon dioxide
10 may be safely and permanently sequestered.

11 “(4) COORDINATION WITH CREDIT FOR CARBON
12 DIOXIDE SEQUESTRATION.—At such time that the
13 Secretary prescribes regulations implementing this
14 section, no payment under this section shall be al-
15 lowed to a taxpayer to whom a credit has been al-
16 lowed for any taxable year under section 45Q.

17 **“SEC. 9907. ADMINISTRATIVE AUTHORITY.**

18 “(a) IN GENERAL.—The Secretary in consultation
19 with the Administrator shall prescribe such regulations,
20 and other guidance, as may be necessary to carry out the
21 purposes of this subtitle and assess and collect the carbon
22 fee imposed by section 9902 and the fluorinated green-
23 house gas fee imposed by section 9904.

24 “(b) SPECIFICALLY.—Such regulations and guidance
25 shall include—

1 “(1) the identification of an effective point in
2 the production, distribution, or use of a covered fuel
3 or fluorinated greenhouse gas for collecting such car-
4 bon fee or fluorinated greenhouse gas fee, in such a
5 manner so as to minimize administrative burden and
6 maximize the extent to which full fuel cycle green-
7 house gas emissions from covered fuels or
8 fluorinated greenhouse gases have the carbon fee or
9 fluorinated greenhouse gas fee levied upon them,

10 “(2) the identification of covered entities which
11 shall be liable for the payment of the carbon fee or
12 the fluorinated greenhouse gas fee,

13 “(3) requirements for the monthly payment of
14 such fees,

15 “(4) as may be necessary or convenient, rules
16 for distinguishing between different types of covered
17 fuels,

18 “(5) as may be necessary or convenient, rules
19 for distinguishing between a covered fuel’s green-
20 house gas content and its upstream greenhouse gas
21 emissions;

22 “(6) rules to ensure that no covered fuel or
23 fluorinated greenhouse gas has the carbon fee,
24 fluorinated greenhouse gas fee, or carbon border fee
25 adjustment imposed upon it more than once, and

1 “(7) rules to ensure that the domestic imple-
2 mentation of the carbon fee and the fluorinated
3 greenhouse gas fee coordinate with the implementa-
4 tion of the carbon border fee adjustment of chapter
5 102.

6 **“CHAPTER 102—CARBON BORDER FEE**
7 **ADJUSTMENT**

 “Sec. 9908. Carbon border fee adjustment.

 “Sec. 9909. Administration of the carbon border fee adjustment.

 “Sec. 9910. Allocation of carbon border fee adjustment revenues.

8 **“SEC. 9908. CARBON BORDER FEE ADJUSTMENT.**

9 “(a) IN GENERAL.—The fees imposed by, and re-
10 funds allowed under, this section shall be referred to as
11 ‘the carbon border fee adjustment’.

12 “(b) PURPOSE.—The purpose of the carbon border
13 fee adjustment is to protect animal, plant, and human life
14 and health, to conserve exhaustible natural resources by
15 preventing carbon leakage, and to facilitate the creation
16 of international agreements.

17 “(c) IMPORTED COVERED FUELS FEE.—In the case
18 of any person that imports into the United States any cov-
19 ered fuel, there shall be imposed a fee equal to the excess
20 (if any) of—

21 “(1) an amount equal to—

22 “(A) the amount of full fuel cycle green-
23 house gas emissions of such fuel, multiplied by

1 “(B) the carbon fee rate in effect for the
2 year in which such fuel is imported, over

3 “(2) the total foreign cost of carbon carried by
4 such fuel.

5 “(d) IMPORTED CARBON-INTENSIVE PRODUCTS
6 FEE.—In the case of any person that imports into the
7 United States any carbon-intensive products, there shall
8 be imposed a fee equal to the excess (if any) of—

9 “(1) an amount equal to—

10 “(A) production greenhouse gas emissions
11 of such product, multiplied by

12 “(B) the carbon fee rate in effect for the
13 year in which the production greenhouse gas
14 emissions of such product were emitted into the
15 atmosphere, over

16 “(2) the total foreign cost of carbon carried by
17 such product.

18 “(e) REFUND ON EXPORTS FROM UNITED
19 STATES.—

20 “(1) CARBON-INTENSIVE PRODUCTS.—Under
21 regulations prescribed by the Secretary, there shall
22 be allowed a credit or refund (without interest) to
23 exporters of carbon-intensive products manufactured
24 or produced in the United States an amount equal
25 to the excess (if any) of—

1 “(A) an amount equal to—

2 “(i) the production greenhouse gas
3 emissions of the exported carbon-intensive
4 product, multiplied by

5 “(ii) the carbon fee rate during the
6 year in which the carbon fee or fluorinated
7 greenhouse gas fee was paid upon the pro-
8 duction greenhouse gas emissions of the
9 exported carbon-intensive product, over

10 “(B) any total cost of carbon to be levied
11 upon the carbon-intensive product by any juris-
12 diction to which the carbon-intensive product is
13 to be imported.

14 Any such credit or refund shall be allowed in the
15 same manner as if it were an overpayment of the fee
16 imposed by section 9902 or 9904. The Secretary
17 shall establish fair, timely, impartial, and as nec-
18 essary confidential procedures by which any exporter
19 of any product from the United States may petition
20 the Secretary to include that exported product on
21 the list of carbon-intensive products.

22 “(2) COVERED FUELS.—Under regulations pre-
23 scribed by the Secretary, in the case of a covered
24 fuel produced in the United States with respect to
25 which the fee under section 9902 was paid, there

1 shall be allowed as a credit or refund (without inter-
2 est) to any exporter of such covered fuels an amount
3 equal to the excess (if any) of—

4 “(A) an amount equal to—

5 “(i) the full fuel cycle greenhouse gas
6 emissions of the covered fuel, multiplied by

7 “(ii) the carbon fee rate at the time
8 the carbon fee was paid upon the full fuel
9 cycle greenhouse gas emissions of the ex-
10 ported covered fuel, over

11 “(B) any total cost of carbon to be levied
12 upon the covered fuel by a jurisdiction to which
13 the carbon-intensive product is to be imported.

14 Any such credit or refund shall be allowed in the
15 same manner as if it were an overpayment of tax
16 imposed by section 9902.

17 “(f) DEFINITIONS.—For purposes of this section—

18 “(1) FOREIGN COST OF CARBON; FOREIGN CAR-
19 BON COSTS.—The term ‘foreign cost of carbon’ or
20 ‘foreign carbon cost’ means the cost of any laws of
21 a foreign jurisdiction which impose a system of cap-
22 and-trade with respect to, or a tax or fee on, green-
23 house gas. Such cost shall be determined and ex-
24 pressed as a price per ton of CO₂-e.

1 “(2) TOTAL COST OF CARBON CARRIED.—The
2 term ‘total cost of carbon carried’ means an amount
3 equal to—

4 “(A) the production greenhouse gas emis-
5 sions of a carbon-intensive product or the full
6 fuel cycle greenhouse gas emissions of a covered
7 fuel, multiplied by

8 “(B) the cost of carbon with respect to
9 such product or fuel, reduced by any amount
10 refunded with respect to such product or fuel
11 by a foreign jurisdiction.

12 The total cost of carbon carried shall be expressed
13 as price in United States dollars.

14 “(3) TOTAL FOREIGN COST OF CARBON CAR-
15 RIED.—The term ‘total foreign cost of carbon car-
16 ried’ means an amount equal to—

17 “(A) the production greenhouse gas emis-
18 sions of a carbon-intensive product, or the full
19 fuel cycle greenhouse gas emissions of a covered
20 fuel, multiplied by

21 “(B) the foreign cost of carbon with re-
22 spect to such product or fuel, reduced by the
23 amount refunded with respect to such product
24 or fuel by a foreign jurisdiction.

1 The total foreign cost of carbon carried shall be ex-
2 pressed as price in United States dollars.

3 **“SEC. 9909. ADMINISTRATION OF THE CARBON BORDER**
4 **FEE ADJUSTMENT.**

5 “(a) **GENERALLY.**—The Secretary in consultation
6 with the Administrator shall prescribe regulations and
7 guidance which implement the carbon border fee adjust-
8 ment under section 9908.

9 “(b) **COLLABORATION.**—In determining the produc-
10 tion greenhouse gas emissions of an imported carbon-in-
11 tensive product, the upstream greenhouse gas emissions
12 of an imported covered fuel, the full fuel cycle greenhouse
13 gas emissions of an imported covered fuel, or the foreign
14 cost of carbon, or otherwise administering the carbon bor-
15 der fee adjustment, it is the sense of Congress that the
16 Secretary should collaborate with authorized officers of
17 any jurisdiction, including sub-national governments, af-
18 fected by the carbon border fee adjustment.

19 “(c) **METHODOLOGY.**—In determining the production
20 greenhouse gas emissions of an imported carbon-intensive
21 product, the upstream greenhouse gas emissions of an im-
22 ported covered fuel, the full fuel cycle greenhouse gas
23 emissions of an imported covered fuel, or the foreign cost
24 of carbon, the Secretary shall use reliable methodologies,
25 which—

1 “(1) as may be necessary or convenient—

2 “(A) distinguish between different types of
3 covered fuels,

4 “(B) distinguish between a covered fuel’s
5 greenhouse gas content and that covered fuel’s
6 upstream greenhouse gas emissions,

7 “(C) distinguish between the different
8 types of greenhouse gas emissions which com-
9 pose a covered fuel’s upstream greenhouse gas
10 emissions or greenhouse gas content, as well as
11 the various processes which produced those
12 emissions, and

13 “(D) distinguish between the different
14 types of greenhouse gas emissions which com-
15 pose a carbon-intensive product’s production
16 greenhouse gas emissions, as well as the various
17 processes which produced those emissions,

18 “(2) ensure that no covered fuel, covered
19 fluorinated greenhouse gas, or carbon-intensive prod-
20 uct has the carbon fee, the fluorinated greenhouse
21 gas fee, or the border fee adjustment imposed upon
22 it more than once,

23 “(3) ensure that the implementation of the bor-
24 der carbon adjustment aligns with the carbon fee
25 and the fluorinated gas fee,

1 “(4) in the case of incomplete data, rely upon
2 the best available methodologies for interpolating
3 data gaps, and

4 “(5) are consistent with international treaties
5 and agreements.

6 “(d) SCHEDULE.—The Secretary shall determine—

7 “(1) not later than 3 years after the date of the
8 enactment of this section, the production greenhouse
9 gas emissions of imported carbon-intensive products,

10 “(2) not later than 180 days after the date of
11 the enactment of this section, the full fuel cycle
12 greenhouse gas emissions and the upstream green-
13 house gas emissions of every imported covered fuel,
14 and

15 “(3) not later than 3 years after the date of the
16 enactment of this section, the foreign cost of carbon
17 in all jurisdictions.

18 “(e) PROCEDURE.—The Secretary shall establish
19 fair, timely, impartial, and as necessary confidential proce-
20 dures by which the importer of any carbon-intensive prod-
21 uct or any covered fuel may petition the Secretary to re-
22 vise the Secretary’s determination of the production green-
23 house gas emissions, full fuel cycle greenhouse gas emis-
24 sions, or upstream greenhouse gas emissions of that im-
25 porter’s imported covered fuel or imported carbon-inten-

1 sive product, or the foreign cost of carbon carried by that
2 importer's imported carbon-intensive product.

3 “(f) SHIPMENTS FROM THE UNITED STATES TO THE
4 TERRITORIES OF THE UNITED STATES.—Notwith-
5 standing any other treaty, law, or policy, shipments of cov-
6 ered fuels or carbon-intensive products from the United
7 States to Guam, the United States Virgin Islands, Samoa,
8 Puerto Rico, and the Northern Mariana Islands shall be
9 eligible for a refund of the carbon fee under section
10 9908(e).

11 “(g) IMPORTS TO THE TERRITORIES OF THE UNITED
12 STATES.—Notwithstanding any other treaty, law, or pol-
13 icy, imports of covered fuels or carbon-intensive products
14 to Guam, the United States Virgin Islands, Samoa, Puerto
15 Rico, and the Northern Mariana Islands shall not be sub-
16 ject to Section 9908(c) or 9908(d).”

17 **“SEC. 9910. ALLOCATION OF CARBON BORDER FEE ADJUST-**
18 **MENT REVENUES.**

19 “The revenues collected under this chapter may be
20 used to supplement appropriations made available in fiscal
21 years 2018 and thereafter—

22 “(1) to U.S. Customs and Border Protection, in
23 such amounts as are necessary to administer the
24 carbon border fee adjustment, then

1 “(2) to the Department of Treasury, in such
2 amounts as are necessary to allow refunds under
3 section 9908(e) to exporters of carbon-intensive
4 products and exporters of covered fuels.”.

5 (b) COORDINATION WITH CARBON OXIDE SEQUES-
6 TRATION CREDIT.—Section 45Q(f) is amended by adding
7 at the end the following new paragraph:

8 “(8) COORDINATION WITH CARBON CAPTURE
9 AND SEQUESTRATION PAYMENTS.—No credit shall
10 be allowed under this section to a taxpayer which
11 has received any payment under section 9906.”.

12 (c) TREATIES AND INTERNATIONAL NEGOTIA-
13 TIONS.—

14 (1) CONFORMANCE WITH INTERNATIONAL
15 TREATIES.—In the case that the Appellate Body of
16 the World Trade Organization, or any other authori-
17 tative international treaty interpreter, shall find any
18 portion of the carbon border fee adjustment under
19 chapter 102 of the Internal Revenue Code of 1986
20 to violate any treaty to which the United States is
21 a party, the Secretary of the Treasury is authorized
22 to alter any aspect of such carbon border fee adjust-
23 ment so as to bring the carbon border fee adjust-
24 ment into conformance with international law.

1 (2) INTERNATIONAL NEGOTIATIONS.—The Con-
2 gress finds the international mitigation of green-
3 house gas emissions to be of national importance.
4 Therefore, the Congress encourages the Secretary of
5 State, or the Secretary’s designee, to commence and
6 complete negotiations with other nations with the
7 goal of forming treaties, environmental agreements,
8 accords, partnerships or any other instrument that
9 effectively reduces global greenhouse gas emissions
10 to 10 percent of 2015 levels by 2050 and which re-
11 spect the principle of common but differentiated re-
12 sponsibilities and respective capabilities.

13 (3) SUSPENSION OF THE CARBON BORDER FEE
14 ADJUSTMENT.—Any part of the carbon border fee
15 adjustment shall be suspended, in whole or in
16 part,—

17 (A) by treaty or other international agree-
18 ment which includes provisions for the suspen-
19 sion of the carbon border fee adjustment, in
20 whole or in part, with any party signatory to
21 the treaty or other international agreement, or

22 (B) by a finding of the Secretary that a ju-
23 risdiction of importation has implemented poli-
24 cies which, in the case of high emitting coun-
25 tries, reduce greenhouse gas emissions at a rate

1 at least equivalent to United States greenhouse
2 gas emission reductions, or, in the case of low
3 emitting countries, prevent the increase in
4 greenhouse gas emissions.

5 Any such finding shall be reviewed at least every 3
6 years and amended or revoked as required.

7 **SEC. 4. ESTABLISHMENT OF THE CARBON DIVIDEND TRUST**
8 **FUND.**

9 (a) IN GENERAL.—Subchapter A of chapter 98 of the
10 Internal Revenue Code of 1986 is amended by adding at
11 the end the following:

12 **“SEC. 9512. CARBON DIVIDEND TRUST FUND.**

13 “(a) ESTABLISHMENT AND FUNDING.—There is
14 hereby established in the Treasury of the United States
15 a trust fund to be known as the ‘Carbon Dividend Trust
16 Fund’, consisting of such amounts as may be appropriated
17 to such trust fund as provided for in this section.

18 “(b) TRANSFERS TO THE CARBON DIVIDEND TRUST
19 FUND.—There is hereby appropriated to the Carbon Divi-
20 dend Trust Fund amounts equal to the fees received into
21 the Treasury less any amounts refunded or paid under
22 section 9902(d) or 9906 of chapter 101 for each month.

23 “(c) EXPENDITURES.—Amounts in the trust fund
24 shall be available for the following purposes:

1 “(1) ADMINISTRATIVE EXPENSES.—So much of
2 the expenses necessary to administer the Carbon
3 Dividend Trust Fund for each year, as does not ex-
4 ceed—

5 “(A) in the case of the first 5 calendar
6 years ending after the date of the enactment of
7 this section, the administrative expenses for any
8 year may not exceed 8 percent of amounts ap-
9 propriated to the Carbon Dividend Trust Fund
10 during such year, and

11 “(B) in the case of any calendar year
12 thereafter, 2 percent of the 5-year rolling aver-
13 age of the amounts appropriated to the Carbon
14 Dividend Trust Fund, and

15 “(2) OTHER ADMINISTRATIVE EXPENSES.—So
16 much of the expenses as are necessary to administer
17 chapter 101 for any year as does not to exceed 0.60
18 percent of the amounts appropriated to the Carbon
19 Dividend Trust Fund for the previous year, and fur-
20 ther limited as follows:

21 “(A) The Department of the Treasury.

22 “(B) The Social Security Administration.

23 “(C) The Environmental Protection Agen-
24 cy.

25 “(D) Department of State.

1 “(3) CARBON DIVIDEND PAYMENTS.—

2 “(A) IN GENERAL.—From the amounts in
3 the Carbon Dividend Trust Fund made avail-
4 able under paragraphs (1) and (2) of this sub-
5 section for any year, the Secretary shall for
6 each month beginning more than 270 days after
7 the date of the enactment of the Energy Inno-
8 vation and Carbon Dividend Act of 2018, make
9 carbon dividend payments to each eligible indi-
10 vidual.

11 “(B) PRO-RATA SHARE.—A carbon divi-
12 dend payment is one pro-rata share for each
13 adult and half a pro-rata share for each child
14 under 19 years old, with a limit of 2 children
15 per household, of amounts available for the
16 month in the Carbon Dividend Trust Fund.

17 “(C) ELIGIBLE INDIVIDUAL.—The term
18 ‘eligible individual’ means, with respect to any
19 month, any natural living person who has a
20 valid Social Security number or taxpayer identi-
21 fication number and is a citizen or lawful resi-
22 dent of the United States (other than any indi-
23 vidual who is a citizen of any possession of the
24 United States and whose bona fide residence is
25 outside of the United States). The Secretary is

1 authorized to verify an individual's eligibility to
2 receive a carbon dividend payment.

3 “(D) FEE TREATMENT OF PAYMENTS.—
4 Amounts paid under this subsection shall be in-
5 cludible in gross income.

6 “(E) FEDERAL PROGRAMS AND FEDERAL
7 ASSISTED PROGRAMS.—The carbon dividend
8 amount received by any individual shall not be
9 taken into account as income and shall not be
10 taken into account as resources for purposes of
11 determining the eligibility of such individual or
12 any other individual for benefits or assistance,
13 or the amount or extent of benefits or assist-
14 ance, under any Federal program or under any
15 State or local program financed in whole or in
16 part with Federal funds.

17 “(F) ADVANCE PAYMENT.—The Secretary
18 shall transfer to the Carbon Dividend Trust
19 Fund such amounts as are necessary for the
20 disbursement of an advanced carbon dividend to
21 all eligible individuals as follows:

22 “(i) An advanced carbon dividend
23 shall be the same as the anticipated first
24 carbon dividend required to be distributed
25 under subparagraph (A) and shall be dis-

1 tributed the month prior to the first collec-
2 tion of the carbon fee.

3 “(ii) Total amounts disbursed as ad-
4 vanced carbon dividends shall be deducted
5 from the carbon dividends on a pro-rata
6 basis over the first 3 years after the dis-
7 bursement of the first carbon dividends.

8 “(d) ADMINISTRATIVE AUTHORITY.—The Secretary
9 shall promulgate rules, guidance, and regulations useful
10 and necessary to implement the Carbon Dividend Trust
11 Fund.”.

12 (b) CLERICAL AMENDMENT.—The table of sections
13 for subchapter A of chapter 98 of such Code is amended
14 by adding at the end the following new item:

 “Sec. 9512. Carbon Dividend Trust Fund.”.

15 **SEC. 5. LIMITED DISCLOSURE OF INFORMATION.**

16 Section 6103(l) of the Internal Revenue Code of 1986
17 is amended by adding at the end the following new para-
18 graphs:

19 “(23) LIMITED DISCLOSURE OF IDENTITY IN-
20 FORMATION RELATING TO CARBON DIVIDEND PAY-
21 MENTS.—

22 “(A) DEPARTMENT OF TREASURY.—Indi-
23 vidual identity information shall, without writ-
24 ten request, be open to inspection by or disclo-
25 sure to officers and employees of the Depart-

1 ment of the Treasury whose official duties re-
2 quire such inspection or disclosure for purposes
3 of administering section 9512 (relating the Car-
4 bon Dividend Trust Fund).

5 “(B) COMMISSIONER OF SOCIAL SECUR-
6 RITY.—The Commissioner of Social Security
7 shall, on written request, disclose to officers
8 and employees of the Department of the Treas-
9 ury individual identity information which has
10 been disclosed to the Social Security Adminis-
11 tration as is necessary to administer section
12 9512.

13 “(C) RESTRICTION ON DISCLOSURE.—In-
14 formation disclosed under this paragraph shall
15 be disclosed only for purposes of, and to the ex-
16 tent necessary in, carrying out section 9512.”.

17 **SEC. 6. NATIONAL ACADEMY OF SCIENCES REVIEW OF CAR-**
18 **BON FEE AND EMISSIONS REDUCTION**
19 **SCHEDULE.**

20 (a) IN GENERAL.—Not later than 10 years after the
21 date of the enactment of this Act, the Secretary of Energy
22 shall enter into an agreement with the National Academy
23 of Sciences to prepare a report relating to the carbon fee
24 imposed by section 9902 of the Internal Revenue Code of

1 1986 and the emissions reductions schedule established
2 under section 9903 of such Code.

3 (b) REPORT REQUIREMENTS.—Such report shall—

4 (1) assess the efficiency and effectiveness of the
5 carbon fee in achieving the emissions reduction tar-
6 gets set forth in section 9903 of such Code;

7 (2) describe and make recommendations on
8 whether the carbon fee rate and annual increases
9 prescribed by section 9902(c) of such Code should
10 be adjusted in order to optimize the efficiency and
11 effectiveness of this Act in achieving the emissions
12 reduction targets set forth in section 9903 of such
13 Code;

14 (3) describe the potential of the carbon fee to
15 achieve future emissions targets set forth in section
16 9903(a) of such Code through the year 2050;

17 (4) describe and evaluate the effectiveness of
18 the carbon fee in reducing emissions from key sec-
19 tors of the economy, including sectors of the econ-
20 omy that have decreased their carbon emissions, sec-
21 tors of the economy that have increased their carbon
22 emissions, and sectors of the economy in which car-
23 bon emissions have not changed;

24 (5) make findings and recommendations to
25 Federal departments and agencies and to Congress

1 on actions that could be taken to reduce carbon
2 emissions in the sectors of the economy in which
3 carbon emissions have not decreased.

4 (6) make findings and recommendations on ad-
5 justing regulations enacted under the Clean Air Act
6 and other Federal laws that affect economic sectors
7 achieving the emissions reduction targets set forth in
8 section 9903 of such Code; and

9 (7) provide an assessment of any other factors
10 determined to be material to the program's effi-
11 ciency and effectiveness in achieving the goals set
12 forth in this act.

13 (c) REPORT MADE PUBLICLY AVAILABLE.—Not later
14 than 10 years after the date of the enactment of this Act,
15 the Secretary of Energy shall submit to Congress the re-
16 port required under subsection (a). Such report shall be
17 made electronically available to the public and open to
18 public comment for at least 60 days before the final sub-
19 mission to Congress.

20 **SEC. 7. IMPACT OF CARBON FEE ON BIOMASS USE AND**
21 **CARBON SINKS.**

22 (a) STUDY OF BIOMASS.—The Secretary of Energy
23 shall enter into an agreement with the National Academy
24 of Sciences to conduct a study, make recommendations,
25 and submit a report regarding the impact of the carbon

1 fee on the use of biomass as an energy source and the
2 resulting impacts on carbon sinks.

3 (b) STUDY REQUIREMENTS.—The study conducted
4 under subsection (a) by the National Academy of Sciences
5 shall include analysis, documentation, and determinations
6 on—

7 (1) the carbon fee and its impact on the use of
8 biomass as an energy source and greenhouse gas
9 emissions from the use of biomass as an energy
10 source;

11 (2) the impacts of the use of biomass as an en-
12 ergy source on carbon sinks; and

13 (3) the various types of biomass that are being
14 used as an energy source.

15 (c) RECOMMENDATIONS.—Based on the findings and
16 conclusions of the study, the National Academy of
17 Sciences shall make recommendations to Federal depart-
18 ments and agencies and to Congress. The recommenda-
19 tions shall include any actions that should be taken to
20 mitigate impacts of the carbon fee on—

21 (1) increasing greenhouse gas emissions from
22 the use of biomass as an energy source; and

23 (2) degradation of carbon sinks relating to the
24 use of biomass as an energy source.

1 (d) REPORT.—The National Academy of Sciences
2 shall prepare a report that includes any findings and rec-
3 ommendations made pursuant to this section and, not
4 later than 18 months after the date of the enactment of
5 this Act, make such report electronically available to the
6 public.

7 **SEC. 8. AMENDMENTS TO THE CLEAN AIR ACT.**

8 (a) IN GENERAL.—Title III of the Clean Air Act (42
9 U.S.C. 7601) is amended by adding at the end the fol-
10 lowing:

11 **“SEC. 330. SUSPENSION OF REGULATION OF FUELS AND**
12 **EMISSIONS BASED ON GREENHOUSE GAS EF-**
13 **FECTS.**

14 “(a) FUELS.—Unless specifically authorized in sec-
15 tion 202, 211, 213, or 231 or this section, if a carbon
16 fee is imposed by section 9902 or 9908 of the Internal
17 Revenue Code of 1986 with respect to a covered fuel, the
18 Administrator shall not enforce any rule limiting the emis-
19 sion of greenhouse gases from the combustion of that fuel
20 under this Act (or impose any requirement on any State
21 to limit such emission) on the basis of the emission’s
22 greenhouse gas effects.

23 “(b) EMISSIONS.—Unless specifically authorized in
24 section 202, 211, 213, or 231 or this section, if a fee is
25 imposed by section 9904 of the Internal Revenue Code of

1 1986 with respect to a fluorinated greenhouse gas, the Ad-
2 ministrator shall not enforce any rule limiting such gas
3 under this Act (or impose any requirement on any State
4 to limit such gas) on the basis of the greenhouse gas ef-
5 fects of such gas.

6 “(c) AUTHORIZED REGULATION.—Notwithstanding
7 subsections (a) and (b), nothing in this section limits the
8 Administrator’s authority pursuant to any other provision
9 of this Act—

10 “(1) to limit the emission of any greenhouse
11 gas because of any adverse impact on health or wel-
12 fare other than its greenhouse gas effects;

13 “(2) in limiting emissions as described in para-
14 graph (1), to consider the collateral benefits of lim-
15 iting the emissions because of greenhouse gas ef-
16 fects;

17 “(3) to limit the emission of black carbon or
18 any other pollutant that is not a greenhouse gas
19 that the Administrator determines by rule has heat-
20 trapping properties; or

21 “(4) to take any action with respect to any
22 greenhouse gas other than limiting its emission, in-
23 cluding—

24 “(A) monitoring, reporting, and record-
25 keeping requirements;

1 “(B) conducting or supporting investiga-
2 tions; and

3 “(C) information collection.

4 “(d) EXCEPTION FOR CERTAIN GREENHOUSE GAS
5 EMISSIONS.—Notwithstanding subsections (a) and (b),
6 nothing in this section limits the Administrator’s authority
7 to regulate greenhouse gas emissions from—

8 “(1) sources that—

9 “(A) are subject to subpart OOOO or
10 OOOOa of part 60 of title 40, Code of Federal
11 Regulations, as in effect on January 1, 2018; or

12 “(B) would be subject to such subpart
13 OOOO or subpart OOOOa if such subpart ap-
14 plied regardless of the date on which construc-
15 tion, modification, or reconstruction of the
16 source involved commenced; or

17 “(2) POTW Treatment Plants (as defined in
18 section 403.3(r) of title 40, Code of Federal Regula-
19 tions).

20 “(e) SUSPENSION EXPIRATION.—

21 “(1) DETERMINATION.—The Administrator
22 shall make a determination by March 30, 2030, and
23 no less than once every five years thereafter, based
24 on the determination required by section 9903(b) of
25 the Internal Revenue Code of 1986, as to whether

1 cumulative greenhouse gas emissions from covered
2 fuels subject to taxation under section 9902 of such
3 Code during the period from calendar year 2022
4 through the calendar year preceding the determina-
5 tion exceed the cumulative emissions for that period
6 that would have occurred if the emission reduction
7 targets in section 9903(a)(2) of such Code were met.

8 “(2) CONSEQUENCE OF CUMULATIVE EMIS-
9 SIONS EXCEEDANCE.—If the Administrator deter-
10 mines under paragraph (1) that cumulative green-
11 house gas emissions from covered fuels subject to
12 tax under section 9902 of the Internal Revenue
13 Code of 1986 exceed the cumulative emissions for
14 the period covered by the determination that would
15 have occurred if the emission reduction targets in
16 section 9903(a)(2) of such Code were met, then the
17 prohibitions in subsection (a) of this section, and in
18 section 211(c)(5) of this Act, shall cease to apply.

19 “(f) ASSURING ENVIRONMENTAL INTEGRITY.—

20 “(1) AUTHORITY.—If the Administrator deter-
21 mines pursuant to subsection (e)(1) of this section
22 that the emission reduction targets in section 9903
23 (a)(2) of the Internal Revenue Code of 1986 are not
24 met—

1 “(A) subsections (a) and (b) shall cease to
2 apply; and

3 “(B) the Administrator shall—

4 “(i) issue such regulations as the Ad-
5 ministrator deems necessary to bring
6 greenhouse gas emissions from covered
7 fuels subject to taxation under section
8 9902 of the Internal Revenue Code of
9 1986 to levels that are at or below the
10 emission reductions targets in section
11 9903(a)(2) of such Code; and

12 “(ii) require in such regulations that
13 additional reductions in greenhouse gas
14 emissions are achieved to fully compensate
15 for any amount by which greenhouse gas
16 emissions from covered fuels subject to
17 taxation under section 9902 of such Code
18 have exceeded the targets in section
19 9903(a)(2) of such Code.

20 “(2) DEADLINE FOR FINALIZING REGULA-
21 TIONS.—The Administrator shall finalize any regula-
22 tions required by paragraph (1) not later than two
23 years after the Administrator makes the relevant de-
24 termination pursuant to such paragraph.

1 “(3) ACHIEVEMENT OF ADDITIONAL REDUC-
2 TIONS.—Regulations issued pursuant to paragraph
3 (1) shall ensure that any additional reductions re-
4 quired by paragraph (1)(B)(ii) are fully achieved by
5 no later than eight years after the Administrator
6 makes the determination pursuant to subsection
7 (e)(1) described in paragraph (1).

8 “(g) DEFINITIONS.—In this section, the terms
9 ‘greenhouse gas’ and ‘greenhouse gas effects’ have the
10 meanings given to those terms in section 9901 of the In-
11 ternal Revenue Code of 1986.”.

12 (b) NEW MOTOR VEHICLES AND NEW MOTOR VEHI-
13 CLE ENGINES.—Section 202(b) of the Clean Air Act (42
14 U.S.C. 7521(b)) is amended—

15 (1) by redesignating the second paragraph (3)
16 (as redesignated by section 230(4)(C) of Public Law
17 101–549 (104 Stat. 2529)) as paragraph (4); and

18 (2) by adding at the end the following:

19 “(5) Notwithstanding subsections (a) and (b) of
20 section 330, the Administrator may—

21 “(A) limit the emission of any greenhouse
22 gas (as defined in section 9901 of the Internal
23 Revenue Code of 1986) on the basis of the
24 emission’s greenhouse gas effects (as defined in
25 section 9901 of the Internal Revenue Code of

1 1986) from any class or classes of new motor
2 vehicles or new motor vehicle engines subject to
3 regulation under subsection (a)(1); and

4 “(B) grant a waiver under section
5 209(b)(1) for standards for the control of
6 greenhouse gas emissions.”.

7 (c) FUELS.—Section 211(c) of the Clean Air Act (42
8 U.S.C. 7545(c)) is amended by adding at the end the fol-
9 lowing new paragraph:

10 “(5) The Administrator shall not, pursuant to this
11 subsection, impose on any manufacturer or processor of
12 fuel any requirement for the purpose of reducing the emis-
13 sion of any greenhouse gas (as defined in section 9901
14 of the Internal Revenue Code of 1986) produced by com-
15 bustion of the fuel on the basis of the emission’s green-
16 house gas effects (as defined in section 9901 of the Inter-
17 nal Revenue Code of 1986).”.

18 (d) NONROAD ENGINES AND VEHICLES EMISSIONS
19 STANDARDS.—Section 213 of the Clean Air Act (42
20 U.S.C. 7547) is amended by adding at the end the fol-
21 lowing:

22 “(e) GREENHOUSE GAS EMISSIONS.—Notwith-
23 standing section 330(a), the Administrator may limit the
24 emission of any greenhouse gas (as defined in section
25 9901 of the Internal Revenue Code of 1986) on the basis

1 of the emission’s greenhouse gas effects (as defined in sec-
2 tion 9901 of the Internal Revenue Code of 1986) from
3 any nonroad engines and nonroad vehicles subject to regu-
4 lation under this section.”.

5 (e) AIRCRAFT EMISSION STANDARDS.—Section 231
6 of the Clean Air Act (42 U.S.C. 7571) is amended by add-
7 ing at the end the following new subsection:

8 “(d) Notwithstanding subsections (a) and (b) of sec-
9 tion 330, the Administrator may limit the emission of any
10 greenhouse gas (as defined in section 9901 of the Internal
11 Revenue Code of 1986) on the basis of the emission’s
12 greenhouse gas effects (as defined in section 9901 of the
13 Internal Revenue Code of 1986) from any class or classes
14 of aircraft engines, so long as any such limitation is not
15 more stringent than the standards adopted by the Inter-
16 national Civil Aviation Organization.”.

17 **SEC. 9. EFFECTIVE DATE.**

18 The amendments made by this Act shall take effect
19 on the date of the enactment of this Act, except the carbon
20 fee under section 9902 of the Internal Revenue Code of
21 1986 shall apply to uses, sales, or transfers more than
22 270 days after the date of the enactment of this Act.

1 **SEC. 10. PRINCIPLE OF INTERPRETATION.**

2 In the case of ambiguity, the texts of this statute and
3 its amending texts shall be interpreted so as to allow for
4 the most effective abatement of greenhouse gas emissions.

5 **SEC. 11. NO PREEMPTION OF STATE LAW.**

6 Nothing in this legislation shall preempt or super-
7 sede, or be interpreted to preempt or supersede, any State
8 law or regulation.