



Section-by-Section on Discussion Draft of “THE AMERICAN CLEAN ENERGY AND SECURITY ACT OF 2009”

TITLE I – CLEAN ENERGY

Subtitle A – Renewable Electricity Standard

Section 101, Federal Renewable Electricity Standard: Requires retail electric suppliers — defined as utilities that sold more than 1 million megawatt hours (MWh) of electricity to consumers for purposes other than resale during the preceding year — to meet a certain percentage of their load with electricity generated from renewable resources. The renewable electricity requirement begins at 6% in 2012 and gradually rises to 25% in 2025. Defines renewable resources to include wind, biomass, solar, geothermal, certain hydropower projects, marine and hydrokinetic renewable energy, and landfill gas. A supplier’s renewable requirement is reduced in proportion to any portion of its electricity sales that is generated from existing hydroelectric dams or combustion of municipal solid waste.

Authorizes the Secretary to reduce the renewable electricity requirement by up to one fifth upon petition of the governor of any state, provided that entities within the state that are subject to the Energy Efficiency Resource Standard (established under Section 231 of this Act) are in compliance with that standard. This would reduce the renewable requirement for such state to 20% by 2025.

Requires retail electric suppliers to submit federal renewable electricity credits each year equal to the renewable target for that year times the supplier’s retail sales. In general, one renewable electricity credit is given for each MWh of electricity produced from a renewable resource. To encourage greater deployment of distributed generation, like small wind and rooftop solar, these projects are eligible for three credits for each MWh produced. Retail electric suppliers may submit, in lieu of a renewable electricity credit, an alternative compliance payment equal to 200% of the average market value of a credit from the previous year or \$50 per credit (5 cents per kilowatt hour), whichever is lower.

Subtitle B – Carbon Capture and Sequestration

Section 111, National Strategy: Requires the EPA Administrator, in consultation with the heads of other relevant federal agencies, to submit to Congress a report setting forth a unified and comprehensive strategy to address the key legal and regulatory barriers to the commercial-scale deployment of carbon capture and sequestration.

Section 112, Regulations for Geologic Sequestration Sites: Requires the Administrator to establish a coordinated approach to the certification and permitting of sites where geologic sequestration of carbon dioxide will occur. Establishes a site certification program to ensure the environmental integrity of geologic sequestration sites.

Section 113, Studies and Reports: Requires the Administrator to establish a task force to conduct a study of existing federal and state environmental statutes that apply to geologic sequestration, including the ability of such laws to serve as risk management tools, as well as other areas relevant to geologic sequestration and long-term stewardship of such sites. The section also requires a report to Congress on

findings and consensus recommendations. Directs the Secretary of Energy, in consultation with others, to conduct a study to assess the need for and barriers to the construction and operation of pipelines to be used for the transportation of carbon dioxide for the purpose of sequestration or enhanced hydrocarbon recovery.

Section 114, Carbon Capture and Sequestration (CCS) Demonstration and Early Deployment Program: Establishes a program for the demonstration and early deployment of carbon capture and sequestration technologies. Authorizes fossil-based electricity distribution utilities to hold a referendum on the establishment of a Carbon Storage Research Corporation. If approved by entities representing two-thirds of the nation's fossil fuel-based delivered electricity, the Corporation would be established and would be authorized to collect assessments from retail customers of fossil-based electricity. The Corporation would be operated as a division of the Electric Power Research Institute and would assess fees totaling approximately \$1 billion annually, to be used by the Corporation to fund the large-scale demonstration of CCS technologies in order to accelerate the commercial availability of the technologies.

Section 115, Commercial Deployment of Carbon Capture and Sequestration Technologies: Directs the EPA Administrator to establish an incentive program to distribute funds to support the commercial deployment of carbon capture and sequestration technologies in both electric power generation and industrial applications. Establishes eligibility requirements for facilities to receive funds based on the number of tons of carbon dioxide sequestered. Funding levels would be structured to provide greater incentives for facilities to deploy CCS technologies early in the program and for facilities to capture and sequester larger amounts of carbon dioxide.

Section 116, Performance Standards for Coal-Fueled Power Plants: Establishes performance standards for new coal-fired power plants. Describes eligibility criteria, applicable emission standards, and the schedule upon which such standards must be met. One standard would apply to plants permitted in 2015 and later years, and a more stringent standard would apply to plants permitted in 2020 and later years. Plants permitted from 2009-2014 would be required to meet the initial standard after certain technology deployment criteria were met but no later than 2025.

Subtitle C – Clean Transportation

Section 121, Low Carbon Fuel Standard: Requires that from 2014 to 2022, the annual average lifecycle greenhouse gas emissions of transportation fuel, excluding fuel used to meet obligations under the Renewable Fuels Standard, do not exceed the annual average lifecycle greenhouse gas emissions of transportation fuel in 2005. Requires the Administrator to issue regulations requiring reductions in the average lifecycle greenhouse gas emissions from transportation fuels that shall be at least a 5% reduction in average lifecycle greenhouse gas emissions beginning in 2023 and a 10% reduction beginning in 2030. Authorizes the Administrator to allow credit for electricity used as a transportation fuel. Allows the Administrator to waive the requirements if there is inadequate domestic fuel supply to meet the requirements or if such requirements would severely harm the economy or environment of a state or region of the nation.

Section 122, Electric Vehicle Infrastructure: Amends the Public Utility Regulatory Policies Act to require utilities to consider developing plans to support electric vehicle infrastructure and to consider establishing protocols for integration with smart grid systems.

Section 123, Large-Scale Vehicle Electrification Program: Authorizes the Secretary of Energy to provide financial assistance for regional deployment and integration of grid-connected vehicles. Funds may be

used for offsetting the incremental cost of purchasing new plug-in electric drive vehicles, deployment of electric charging stations or battery exchange locations, or facilitating the integration of smart grid equipment with plug-in electric drive vehicles. Makes information learned through the regional deployments publically available.

Section 124, Plug-In Electric Drive Vehicle Manufacturing: Authorizes the Secretary of Energy to provide financial assistance for retooling existing factories for the manufacture of electric vehicles. Authorizes the Secretary of Energy to provide financial assistance to help auto manufacturers purchase batteries for first production vehicles.

Subtitle D – State Energy and Environment Development (SEED) Funds

Section 131, Establishment of SEED Funds: Creates a program to allow each state energy office to establish a State Energy and Environment Development (SEED) Fund, to serve as a common state-level fund for managing and accounting for all federal financial assistance designated primarily for clean energy, energy efficiency, and climate change purposes.

Subtitle E – Smart Grid Advancement

Section 141, Definitions.

Section 142, Incorporation of Smart Grid Capability in Energy Star Program: Instructs the Department of Energy and the Environmental Protection Agency to assess products evaluated for Energy Star ratings for smart grid capability and to include relevant information on the Energy Star labels for those products that include cost-effective smart grid capability.

Section 143, Smart Grid Peak Demand Reduction Goals: Requires the Federal Energy Regulatory Commission to coordinate and support a national program to reduce peak electric demand for load-serving electric utilities with peak loads in excess of 250 megawatts.

Section 144, Reauthorization of Energy Efficiency Public Information Program to Include Smart Grid Information: Reauthorizes the joint Department of Energy and Environmental Protection Agency energy efficiency public information initiative and expands the initiative to include information on smart grid technologies, practices, and benefits.

Section 145, Inclusion of Smart Grid Features in Appliance Rebate Program: Expands energy efficient appliance rebate program to include rebates for efficient appliances with smart grid features and capability. Clarifies program cost-sharing requirements from states.

Subtitle F – Transmission Planning

Section 151, Transmission Planning: Establishes a federal policy on electric grid planning that recognizes the need for new transmission capacity to deploy renewable energy as well as the potential for more efficient operation of the current grid through new technology, demand-side management, and storage capacity. Enhances existing regional transmission planning processes by incorporating this federal policy. Charges the Federal Energy Regulatory Commission with supporting, coordinating, and integrating regional planning efforts.

Subtitle G – Federal Purchases of Electricity Generated by Renewable Energy

Section 161, Federal Purchases of Electricity Generated by Renewable Energy: Authorizes federal agencies to enter long-term contracts to purchase on-site renewable energy.

Subtitle H – Technical Corrections to Energy Laws

Sections 171-172, Technical Corrections to Energy Independence and Security Act of 2007 and Energy Policy Act of 2005: Makes numerous technical corrections to the Energy Independence and Security Act of 2007 and the Energy Policy Act of 2005, in particular typographical errors and technical errors in appliance efficiency standards sections.

TITLE II – ENERGY EFFICIENCY

Subtitle A – Building Energy Efficiency Programs

Section 201, Greater Energy Efficiency in Building Codes: Requires the Secretary of Energy to support consensus code-setting organizations to establish building codes achieving 30% and 50% higher energy efficiency targets in 2010 and 2016, respectively, to establish codes directly if such organizations fail to do so, to include cool roofs standards, and to support state and local adoption of such advanced codes by supporting training and funding for energy efficiency code enforcement.

Section 202, Building Retrofit Program: Establishes a program under which the Secretary of Energy and the Administrator of EPA support development of standards and processes for retrofitting existing commercial and residential buildings. Authorizes the Secretary of Energy to provide funding to states for cost-effective building retrofits, with funding increasing in proportion to efficiency achievement. Also supports improved water efficiency and other environmental goals and provides special levels of support for retrofits of historic buildings.

Section 203, Energy Efficient Manufactured Homes: Establishes a program to provide federal rebates of up to \$7,500 toward purchases of new Energy Star-rated manufactured homes for low-income families residing in pre-1976 manufactured homes.

Section 204, Building Energy Performance Labeling Program: Establishes an EPA program to develop procedures to label buildings for their energy performance characteristics. Supports state decisions to participate in labeling program through funding to SEED funds.

Subtitle B – Lighting and Appliance Energy Efficiency Programs

Section 211, Lighting Efficiency Standards: Adopts negotiated agreements on technical standards for lighting, including outdoor lighting – street lights, parking lot lights, and parking structure lights – and portable light fixtures such as typical household and commercial plug-in lamps.

Section 212, Other Appliance Efficiency Standards: Adopts consensus agreements on technical standards for hot food holding cabinets, portable spas (hot tubs), and commercial-grade natural gas furnaces.

Section 213, Appliance Efficiency Determinations and Procedures: Improves the Department of Energy process for setting energy-efficiency standards by enabling adoption of consensus testing procedures; requiring the adoption of a new television standard; improving standard-setting cost-effectiveness

formula; authorizing the Secretary to obtain product-specific information as needed; authorizing state injunctive enforcement of standards violations; changing the role of appliance efficiency in building codes; and including greenhouse gas emissions, smart grid capability, and availability of more-efficient models in U.S. and international retail markets among factors affecting efficiency standard ratings.

Section 214, Best-in-Class Appliances Deployment Program: Creates a Department of Energy program to provide rewards to retailers for successful marketing of high-efficiency appliances, designating top performers as “best-in-class,” and providing bonuses based on efficiency improvement compared to average product. Provides additional rewards to retailers when best-in-class sale includes return and recycling of inefficient appliances. Creates program to reward manufacturers of new high-efficiency best-in-class models representing significant incremental energy efficiency gain.

Section 215, Purpose of Energy Star: Provides “Purpose” section for Energy Star provisions clarifying that Energy Star products must be cost-effective, recovering incremental purchase price in expected energy savings during 3-5 year period.

Subtitle C – Transportation Efficiency

Section 221, Emissions Standards: Directs the President to work with the Department of Transportation, EPA, and California to harmonize, to the maximum extent possible, the federal fuel economy standards, any emission standards promulgated by EPA, and the California standards for light-duty vehicles. Requires and sets deadlines for EPA to establish greenhouse gas emissions standards for new heavy-duty vehicles and engines and for nonroad vehicles and engines, including new marine vessels and locomotives, aircraft and aircraft engines. Such standards will be established using existing authorities.

Section 222, Greenhouse Gas Emissions Reductions through Transportation Efficiency: Requires states to establish goals for greenhouse gas reductions from the transportation sector and requires the submission of transportation plans to meet those goals by Metropolitan Planning Organizations for areas with populations exceeding 200,000 people. Imposes sanctions on states that fail to submit goals or plans. Authorizes a competitive grant program for development and implementation of plans.

Section 223, SmartWay Transportation Efficiency Program: Expands an existing EPA loan and fuel saving technology deployment program, the SmartWay Transport Partnership, to help American truckers upgrade to more fuel efficient and less polluting vehicles.

Section 224, State Vehicle Fleets: Requires the Secretary of Energy to update state fleet rules to be consistent with current law.

Subtitle D – Utilities Energy Efficiency

Section 231, Energy Efficiency Resource Standard for Retail Electricity and Natural Gas Distributors: Requires each electricity or natural gas distribution company to demonstrate that it has achieved a required level of cumulative electricity or natural gas savings (relative to business-as-usual projections) through efficiency measures.

The efficiency standard starts with a 1.0% cumulative electricity savings and 0.75% cumulative natural gas savings in 2012 and gradually increases to a 15% cumulative electricity requirement and 10% cumulative natural gas requirement by 2020. For years after 2020, the Secretary will establish annual efficiency targets for cumulative electricity and natural gas savings reflecting the reasonably achievable

cost-effective energy efficiency potential. Electricity and natural gas savings include a broad range of efficiency measures, including savings achieved through combined heat and power, energy recycling (waste heat recovery), and building and appliance codes and standards.

Electric and natural gas distribution companies may meet the efficiency standards either by achieving electricity or natural gas savings directly or by using bilateral contracts to purchase savings achieved by other distribution companies, states, or third-party efficiency providers. Electricity and natural gas distribution companies that do not achieve the required savings for a given compliance period may pay alternative compliance payments of \$50 per megawatt hour for deficiencies in electricity savings or \$5 per million Btu for gas savings. In addition, the Secretary may delegate to any state the authority to administer the program if the Secretary determines that the state will implement an energy efficiency program that meets or exceeds the federal requirements.

Subtitle E – Industrial Energy Efficiency Programs

Section 241, Industrial Plant Energy Efficiency Standards: Requires the Secretary of Energy to establish standards for industrial energy efficiency and to seek recognition of result by American National Standards Institute.

Section 242, Electric and Thermal Energy Efficiency Award Programs: Creates an award program for innovation in increasing the efficiency of thermal electric generation processes, including encouragement for utilities to capture and separately market excess thermal energy.

Subtitle F – Improvements in Energy Savings Performance Contracting

Section 251, Energy Savings Performance Contracts: Amends the National Energy Conservation Policy Act to establish competition requirements for specific energy savings performance contract task orders and to permit energy savings performance contracting to include the installation of renewable and thermal energy systems and long-term contracts for renewable energy.

Subtitle G – Public Institutions

Section 261, Public Institutions: Amends the Energy Independence and Security Act to include non-profit hospitals and public health facilities among public institutions eligible for grants and loans and clarifies loan and cost-share conditions.

TITLE III – REDUCING GLOBAL WARMING POLLUTION

Section 301, Short Title: Safe Climate Act.

Section 311, Section 312, and Section 321, Reducing Global Warming Pollution: Establishes Title VII of the Clean Air Act to provide a declining limit on global warming pollution and to hold industries accountable for pollution reduction under the limit. Adds definitions to section 700 of the Clean Air Act.

Title VII – GLOBAL WARMING POLLUTION REDUCTION PROGRAM

Part A – Global Warming Pollution Reduction Goals and Targets

Section 701, Findings and Purposes

Section 702, Economy-wide Reduction Goals: States that the purpose of Title VII and Title VIII is to reduce economy-wide global warming pollution to 97% of 2005 levels by 2012, 80% by 2020, 58% by 2030, and 17% by 2050.

Section 703, Reduction Targets for Specified Sources: Directs the Administrator to issue regulations to reduce emissions of covered sources to 97% of 2005 levels by 2012, 80% by 2020, 58% by 2030, and 17% by 2050.

Section 704, Supplemental Pollution Reductions: Directs the Administrator to achieve additional low-cost reductions in global warming pollution by using a small portion of the emissions allowances to provide incentives to reduce emissions from international deforestation.

Section 705, Scientific Review: Directs the Administrator to commission reports from the National Academy of Sciences every four years. These reports will include: an analysis of the latest science relevant to climate change, an update on the progress of various clean technologies, and an analysis of worldwide progress in reducing global warming pollution. The reports will identify steps that could be taken to better improve our understanding of climate impacts, speed the deployment of clean technology, and any additional reductions in emissions that may be needed to avoid dangerous climate change.

Section 706, Presidential Response and Recommendations: Directs the President to use existing authority to respond to recommendations in the report. If the National Academy report identifies that further emissions reductions are needed, either domestically or globally, the President must submit a report to Congress recommending steps (including legislation) to achieve those reductions.

Part B – Designation and Registration of Greenhouse Gases

Section 711, Designation of Greenhouse Gases: Establishes a list of greenhouse gases regulated under this title: carbon dioxide, methane, nitrous oxide, sulfur hexafluoride, hydrofluorocarbons (HFCs) emitted as a byproduct, perfluorocarbons, and nitrogen trifluoride. The Administrator may designate additional anthropogenic greenhouse gases by rule.

Section 712, Carbon Dioxide Equivalent Value of Greenhouse Gases: Lists carbon dioxide equivalents for each gas. Requires periodic review of equivalence values by the Administrator.

Section 713, Greenhouse Gas Registry: Directs EPA to establish a federal greenhouse gas registry and comprehensive reporting system for greenhouse gas emissions.

Part – C Program Rules

Section 721, Emission Allowances: Establishes an annual tonnage limit on greenhouse gas emissions from specified activities. Directs the Administrator to establish allowances equal to the tonnage limit for each year (with one allowance representing the permission to emit one ton of greenhouse gases, measured in tons of carbon dioxide equivalent).

Section 722, Compliance Obligation: Mandates that covered entities are required to hold or submit emission allowances equal to the amount of greenhouse gas emissions for which they are responsible. Electricity generators, liquid fuel refiners and blenders, and fluorinated gas manufacturers are covered starting with emissions in 2012. Industrial sources that emit more than

25,000 tons of carbon dioxide equivalent per year are covered starting with emissions in 2014. Local distribution companies that deliver natural gas are covered starting with emissions in 2016.

In lieu of holding (or submitting) emission allowances, covered entities may also satisfy specified portions of their compliance obligation with EPA-approved domestic or international offset credits. The total quantity of reductions compensated for with offsets in any year cannot exceed two billion metric tons, split evenly between domestic and international offsets to allow one billion metric tons of each. Covered entities using offsets must submit five tons of offset credits for every four tons of emissions being offset. Covered entities may also submit an international emission allowance or compensatory allowance in place of a domestic emission allowance.

Section 723, Penalty for Noncompliance: Establishes penalties for parties that fail to comply with the program guidelines.

Section 724, Trading: Clarifies that the legislation does not restrict who can hold an allowance, nor does it restrict the purchase, sale, or other transaction involving allowances.

Section 725, Banking and Borrowing: Permits unlimited banking of allowances for use during future compliance years. Establishes a two-year rolling compliance period by allowing covered entities to borrow an unlimited number of allowances from one year into the future. Covered entities may also satisfy up to 15% of their compliance obligations by submitting emission allowances with vintage years 2 to 5 years in the future, but must pay an 8% premium (in allowances) to do so.

Section 726, Strategic Reserve: Directs the Administrator to create a “strategic reserve” of 2.5 billion metric tons of emission allowances by setting aside a small number of allowances from each year’s tonnage limit. Establishes rules for releasing allowances from the reserve and for refilling the reserve if allowances from the reserve are sold.

Section 727, Permits: Clarifies the obligations of stationary sources under the Clean Air Act’s Title V operating permit program under the newly-established Title VII program.

Section 728, International Emission Allowances: Establishes criteria that must be met before allowances from foreign programs can be used for compliance by covered entities.

Part D – Offsets

Section 731, Offsets Integrity Advisory Board: Establishes an independent Offsets Integrity Advisory Board composed of scientists and others with relevant expertise. The Advisory Board is charged with providing recommendations to the Administrator on: the types of offset project types that should be listed by EPA as eligible; potential levels of scientific uncertainty associated with certain offset types; appropriate quantification or other methodologies; and other areas of the offsets and deforestation provisions in the draft. The Board is also charged with conducting a regular review of all relevant areas.

Section 732, Establishment of Offsets Program: Directs the EPA Administrator to establish an offsets program and requires that regulations ensure offsets are verifiable, additional, and permanent.

Section 733, Eligible Project Types: Requires the Administrator to establish a list of offset project types that are eligible under the program, taking into account the recommendations of the Offsets Integrity Advisory Board. Provides guidelines for establishing and updating the list.

Section 744, Requirements for Offset Projects: Requires that for each offset project type, the Administrator establish standardized methodologies for determining additionality; establishing baselines; measuring performance; accounting for leakage; discounting for uncertainty; and addressing reversals.

Sections 735 - 737, Approval and Verification of Offset Projects; Issuance of Offset Credits: Establishes procedures to approve and verify offset projects. Requires the use of accredited third-party verifiers. Directs the Administrator to issue offset credits only if the emissions reduction or sequestration has already occurred and other specified conditions are met.

Section 738, Audits: Requires the Administrator to conduct, on an on-going basis, random audits of offset projects, offset credits, and practices of third-party verifiers.

Section 739, Program Review and Revision: Requires the periodic evaluation and updating of the offsets program, including revisions to project methodologies.

Section 740, Early Offset Supply: To ensure a supply of offset credits in the early years of the program, allows for the issuance of offset credits for offsets from programs that meet specified criteria. Such credits may only be issued for a limited timeframe and only for reductions achieved for a specified time period.

Section 741-742, Environmental Considerations, Ownership and Transfer of Offset Credits: Provides requirements for additional environmental considerations for forestry projects and establishes terms for offset credit ownership and transfer.

Section 743, International Offset Credits: Allows the Administrator to issue international offset credits for activities that take place outside the United States. Requires that all international offset credits must meet the criteria established in preceding sections, unless for specified types of international offset credits compliance is infeasible and other safeguards for environmental integrity are established. In addition, requires that the United States be a party to a bilateral or multilateral agreement or arrangement with the country where an offset activity would take place before any international offset credits can be issued.

Requires the Administrator, in consultation with the Secretary of State, to identify sectors in specific countries in which the issuance of international offset credits on a sector-wide basis is appropriate. Establishes the terms under which the Administrator may issue international offset credits for other international instruments, specifically requiring a determination that the issuing international body has implemented substantive and procedural requirements for the relevant project type that provide equal or greater assurance of environmental integrity.

Establishes procedures and requirements regarding the issuance of international offset credits for activities that reduce deforestation. International offset credits may only be issued for such activities in countries with sufficient national-level capacity and national deforestation baselines for measuring reductions.

Part E – Supplemental Emissions Reductions from Reduced Deforestation

Section 751-752, Definitions and Findings: Defines forest carbon activities and finds that land use change, primarily deforestation, accounts for roughly 20% of global greenhouse gas emissions.

Section 753, Supplemental Emissions Reductions Through Reduced Deforestation: Directs the Administrator, in consultation with the Secretary of State and the Secretary of Agriculture, to establish a program to build capacity in developing countries to reduce emissions from deforestation (including preparation to participate in international markets for deforestation reduction credits), to achieve emissions reductions in addition to those achieved under the domestic emissions limit, and to protect intact forest from any shifts in land use as a result of reduced deforestation in other areas.

Section 754, Requirements for International Deforestation Reduction Program: Directs the Administrator to support a broad range of activities to reduce deforestation, create markets for deforestation reduction credits, and reduce the leakage of emissions. Activities supported through this program must be environmentally sound and should protect the rights of indigenous groups and local communities. Support for emissions reductions must ensure that countries are transitioning to nationwide accounting of reduced deforestation.

Section 755, Reports and Reviews: Directs the Administrator to report annually to Congress on progress in reducing deforestation through this program and perform a review of the program every four years.

Section 756, Legal Effect of Part: Clarifies that this program does not supersede or limit any other federal or international law.

Part F – Carbon Market Assurance

Section 761, Oversight and Assurance of Carbon Market: Provides for strict oversight and regulation of the new markets for carbon allowances and offsets. Ensures market transparency and liquidity and allows trading in carbon allowance futures so that regulated entities can protect themselves against future cost increases and obtain the allowances they need for compliance at a fair price. The Federal Energy Regulatory Commission is charged with regulating the allowance and offset markets. The President is empowered to delegate regulatory responsibility for the derivatives markets to an appropriate agency, based on the advice of an interagency working group. Protects market participants from speculation and manipulation of carbon prices, including default position limits of 10% for all carbon markets and a default ban on over-the-counter trading of derivatives.

Part H – Disposition of Allowances

Section 781, Allocation of Allowances for International Deforestation: Directs the Administrator to allocate allowances for the program under part E to achieve supplemental emissions reductions from reduced deforestation. Allocates 5% of allowances for the years 2012-2025, 3% for 2026-2030, and 2% for 2031-2050.

Section 782-789, Disposition of Allowances and Proceeds from Auctions of Allowances: Creates a framework to distribute allowance value, either through allocation or the auctioning of allowances.

Section 790, Exchange for State-Issued Allowances: Provides for fair compensation and exchange of allowances issued by the State of California or the Regional Greenhouse Gas Initiative prior to commencement of federal program.

Section 791, Auction Procedures: Establishes single-round, sealed-bid, uniform-price auction procedures, which may be modified by the Administrator.

Section 792, Auctioning Allowances for Other Entities: Establishes rules by which the Administrator may auction allowances on the behalf of other entities.

Section 331, Greenhouse Gas Standards: Establishes Title VIII of the Clean Air Act to achieve additional greenhouse gas reductions outside of Title VII.

Title VIII – ADDITIONAL GREENHOUSE GAS STANDARDS

Section 801, Definitions

Part A – Stationary Source Standards

Section 811, Standards of Performance: Requires the Administrator to use existing Clean Air Act authority (section 111) to set greenhouse gas emission performance standards for certain sources with greenhouse gas emissions that are not subject to the annual tonnage limit in Title VII. Precludes the Administrator from using existing Clean Air Act section 111 authority to issue standards for entities covered by Title VII that directly emit greenhouse gases.

Part C – Exemptions from Other Programs

Section 831, Criteria Pollutants: Provides that greenhouse gases may not be listed as criteria air pollutants on the basis of their effect on climate change.

Section 832, Hazardous Air Pollutants: Provides that greenhouse gases may not be listed as hazardous air pollutants on the basis of their effect on climate change.

Section 833, New Source Review: Provides that New Source Review shall not apply to greenhouse gas emissions.

Section 834, Title V Permits: Provides that greenhouse gases shall not be considered when determining whether a stationary source is required to operate pursuant to a permit under Title V.

Section 332, HFC Regulation: Regulates the production and consumption of HFCs, many of which are extremely potent greenhouse gases, under a separate limit and reduction schedule. Allowances are distributed through a combination of annual auctions and non-auction sales based on the auction price. HFC consumption will be phased-down to 15% of the baseline by 2039. Offset credits can be obtained through the destruction of chlorofluorocarbons (CFCs), which contribute to global warming and deplete the stratospheric ozone layer.

Section 333, Black Carbon: Directs the Administrator to report on existing efforts to reduce domestic black carbon pollution and, if necessary, to use existing authority to achieve further reductions. Directs the Administrator, in coordination with the Secretary of State, to report to Congress on current and potential future assistance to foreign nations to help reduce black carbon pollution.

Section 334, States: Preserves states' existing authority to adopt and enforce standards or limitations on air pollution under the Clean Air Act, including greenhouse gas emissions.

Section 335, State Programs: Bars states from implementing or enforcing a cap on greenhouse gas emissions between the years 2012 to 2017, but allows regulation of emissions by other means during this period.

Section 336, Enforcement: Clarifies that existing Clean Air Act provisions allowing citizens to enforce the requirements of the Clean Air Act apply to greenhouse gas emissions just as to any other air pollutant. Provides limited additional remedies if a federal agency fails to carry out the requirements of Titles VII or Title VIII of the Clean Air Act.

Section 337, Conforming Amendments: Provides for conforming amendments to Clean Air Act enforcement and administrative provisions to incorporate titles VII and VIII.

TITLE IV – TRANSITIONING TO A CLEAN ENERGY ECONOMY

Subtitle A –Ensuring Domestic Competitiveness

Part 1 – Preserving Domestic Competitiveness

Section 401-402, Purposes, Definitions: Outlines the purposes of Part 1 of Subtitle A and provides relevant definitions. The purposes of Subtitle A include: preventing an increase in greenhouse gas emissions in foreign countries as a result of compliance costs incurred under title VII of the Clean Air Act; compensating eligible domestic industrial sectors and subsectors for costs incurred under Title VII; limiting such compensation to amounts that meet the goals of the program; and rewarding innovation and facility-level investments in efficiency upgrades and performance improvements.

Section 403, Distribution of Rebates: Establishes a program that rebates to eligible industrial sectors and subsectors a sum intended to compensate entities in those sectors for the costs they incur as a result of complying with the pollution limit established by Title VII.

Instructs the EPA Administrator to annually distribute rebates to the owners and operators of entities in eligible industrial sectors and subsectors. The Administrator is required to determine which facilities should be eligible for rebates through a rule based on an assessment of economic factors, including (1) the energy or greenhouse gas intensity in a sector or subsector and (2) the trade intensity in such sectors or subsectors. Sectors meeting the listed criteria for both factors would be deemed eligible to receive rebates.

Rebates are distributed to eligible facilities on a product output basis, with compensation provided for both direct and indirect compliance costs. For direct compliance costs, allowance distribution is calculated by multiplying a facility's product output by the sector average tonnage of greenhouse gas emissions per unit of product output. For indirect costs passed on by electric utilities, allowance

distribution is calculated by multiplying a covered or uncovered facility's product output (1) by the "emissions intensity" of each facility's electric power supplier and (2) by the sector average electricity use per unit of product output. To preserve the overall integrity of the program and avoid overcompensation to the most efficient plants, an 85% multiplier is applied to the above allowance allocation formula.

Section 404, Reports to Congress: Directs the EPA Administrator to submit to Congress, every two years, a report on observed carbon leakage and the effectiveness of the program established under this subtitle.

Section 405, Modification or Elimination of Distribution of Rebates: Requires that rebates phase down 10% per year beginning in 2021, unless the President makes a finding that risks to domestic manufacturers in a sector or subsector has not been substantially mitigated, in which case the Administrator may adjust the phase-down schedule. Allows the President to reduce or eliminate rebates after 2020.

Section 406-407, Cessation of Qualifying Activities; Authorization: Requires the Administrator to cease rebate distributions to an entity that is no longer in an eligible sector, and authorizes the program.

Part 2 – International Reserve Allowance Program

Section 411-416: Establishes an international reserve allowance program. Requires the President to submit a report to Congress, no later than June 30, 2017, regarding the extent to which compliance costs incurred under Title VII have resulted in, or are likely to result in, negative impacts to domestic production in certain industry sectors or subsectors, job creation in those sectors, or increases in greenhouse gas emissions leakage. The report must also examine the results of policies implemented pursuant to part 1 and the costs of greenhouse gas regulation in relevant sectors in other countries.

Requires the President to make a finding related to effects resulting from compliance with Title VII, taking into consideration the mitigating effects of any rebates made in a sector or subsector. If a finding of adverse impacts is made, requires that the President promulgate regulations establishing an international reserve allowance program within two years. Under such program, foreign entities from certain countries would be required to hold allowances for goods and products that are intended for consumption in the U.S. market.

Subtitle B – Green Jobs and Worker Transition

Section 421, Clean Energy Curriculum Development Grants: Authorizes the Secretary of Education to award grants to universities and colleges to develop curriculum and training programs that prepare students, including economically disadvantaged, low performing, and urban and rural students, for careers in renewable energy, energy efficiency, and other forms of global warming mitigation. These grants are peer reviewed by experts with relevant experience in the areas being considered for funding.

Section 422, Workforce Training and Education in Clean Energy, Energy Efficiency, Climate Change Mitigation, and Sustainable Environmental Practices: Requires the Secretary of Labor to carry out a workforce training and education program that awards competitive grants to institutions of higher education to prepare students for a variety of green jobs, including in clean energy, green building, water and energy conservation, and sustainable agriculture. These grants are peer reviewed by experts with relevant experience in the areas being considered for funding.

Section 423, Wage Rate Requirements: States that the Davis-Bacon Act applies to all recipients of support under this subtitle.

Section 424, Worker Transition: [To be provided]

Subtitle C – Consumer Assistance [To be provided]

Subtitle D – Exporting Clean Technology

Sections 451-453, Purposes, Definitions, Establishment and Governance: States that the purpose of this subtitle is to provide U.S. assistance to encourage widespread deployment of clean technologies to developing countries. Establishes a Clean Technology Fund administered by the State Department in consultation with an interagency group.

Section 454, Determination of Eligible Countries: States that only developing countries that have ratified an international treaty or agreement and undertaken nationally appropriate mitigation activities achieving substantial greenhouse gas reductions are eligible for funding. No more than 20% of the fund may go to any one country.

Sections 455-456, Funding and Annual Reports: Authorizes the Secretary of State to distribute assistance directly, through the World Bank, or through an international fund under the UNFCCC. Eligible projects must achieve substantial greenhouse gas reductions, may not cause harm to human health or the environment, and may not result in U.S. job loss. Establishes priorities for project selection, requirements for monitoring, evaluation, and enforcement, and requirements for annual reports.

Subtitle E – Adapting to Climate Change

Part 1 – Domestic Adaptation

Subpart A – National Climate Change Adaptation Program

Sections 461-463, Definitions, Adaptation Council, Adaptation Program: Establishes an interagency National Adaptation Council and a National Adaptation Program under NOAA.

Section 464, National Climate Change Vulnerability Assessments: Requires NOAA to prepare a National Climate Change Vulnerability Assessment, to be updated every four years, consisting of regional assessments and a national synthesis. The assessments will summarize short-, medium-, and long-term impacts of climate change, describe strategies for adapting to those impacts, and identify further research. Details methodological and procedural requirements, including consultation with stakeholders.

Section 465, Climate Change Adaptation Services: Establishes a National Climate Service under NOAA to serve as a clearinghouse to provide state, local, and tribal decision makers with regionally relevant climate information, forecasts, and services. Requires the Service to provide policy-relevant climate information products and decision tools for federal, state, local, and tribal planners.

Section 466, Federal Agency Climate Change Adaptation Plans: Requires each federal agency to prepare a Climate Change Adaptation Plan reviewing climate impacts on matters within its jurisdiction, and strategies and priorities for addressing those impacts.

Section 467, Federal Funding for State, Local, and Tribal Adaptation Projects: Establishes a Climate Change Adaptation Fund to provide federal support for state, local, and tribal adaptation projects. Requires the President to promulgate regulations for administering projects covered by this fund.

Subpart B – Public Health and Climate Change

Sections 471-473, Policy, Strategy, Authorization: Establishes the policy of the federal government to assist health systems in addressing the impacts of climate change. Requires the Secretary of Health and Human Services to promulgate a national strategy for adapting to the public health effects of climate change. Authorizes such sums as may be necessary to develop and implement the strategy.

Subpart C – Natural Resource Adaptation

Section 481-485, Purposes, Policy, Definitions, CEQ, Resources Adaptation Panel: States that it is the policy of the federal government to use all practicable means and measures to assist natural resources to adapt to climate change. Establishes a Natural Resources Climate Change Adaptation Panel, chaired by the White House Council on Environmental Quality, as a forum for interagency coordination on natural resources adaptation.

Section 486, Natural Resources Climate Change Adaptation Strategy: Requires the Panel to develop a strategy for making natural resources more resilient to the impacts of climate change and ocean acidification. The strategy must assess likely impacts to natural resources, strategies for helping wildlife adapt, and specific actions that federal agencies should take.

Section 487, Natural Resources Climate Change Adaptation Science and Information Program: Establishes a science program through NOAA and the U.S. Geological Survey National Global Warming and Wildlife Science Center to provide technical assistance, conduct research, and furnish decision tools, monitoring, and strategies for adaptation. Requires a survey of resources that are likely to be adversely affected and the establishment of a Science Advisory Board to advise the science program and recommend research priorities.

Section 488, Federal Natural Resource Agency Adaptation Plans: Requires federal agencies to develop natural resource adaptation plans, consistent with the National Strategy, including prioritized goals and a schedule for implementation of adaptation programs within their respective jurisdictions.

Section 489, State Natural Resources Adaptation Plans: Requires states to develop Natural Resources Adaptation Plans as a condition for receiving funds under the programs in this subtitle.

Section 490, Natural Resources Climate Change Adaptation Fund: Authorizes such sums as may be necessary for an account to fund natural resources adaptation projects in the following percentages: 40% of funds to states (32.5% for the Pittman-Robertson Wildlife Restoration Act, 7.5% for the Coastal Management Act); 17% of funds to the Department of the Interior for endangered species, bird, and Fish and Wildlife Service programs, wildlife refuges, and the Bureau of Reclamation; 5% to the Department of the Interior (DOI) for cooperative grant programs; 12% to the Land and Water Conservation Fund (1/6 to DOI for competitive grants, 1/3 for land acquisition under §7 of the Land and Water Conservation Fund Act, 1/3 to the Department of Agriculture for land acquisition, 1/6 to USDA for the Forestry Assistance Act); 5% to USDA for the Forest Service; 5% to EPA for freshwater ecosystems; and 7.5% to NOAA for coastal and marine ecosystems. All funds authorized must be used for adaptation activities, consistent with federal plans.

Part 2 – International Climate Change Adaptation Program

Sections 491 –493, Findings and Purposes, Definitions, Establishment: Establishes an International Climate Change Adaptation Program within USAID to provide U.S. assistance to the most vulnerable developing countries for adaptation to climate change.

Section 494, Functions of Program: Authorizes the Administrator to make grants to any public or private group to provide assistance to the most vulnerable developing countries for adaptation plans and programs, capacity-building, and research. No more than 10% of the fund may go to any one country, and priority is given to the most vulnerable, least adaptive countries. USAID must ensure community engagement in its projects and make annual reports on the grants made and the effectiveness of the program.

Sections 495-496, Funding, Monitoring, and Evaluation: Requires the Administrator to distribute and oversee the funds. Requires the Administrator to distribute between 40% and 60% of available funds to an international fund under the United Nations Framework Convention on Climate Change process which meets the requirements of the section. Requires regular monitoring and evaluation of the program.