

119TH CONGRESS  
1ST SESSION

# H. R. 2177

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

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 18, 2025

Mr. CASTEN introduced the following bill; which was referred to the  
Committee on Energy and Commerce

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## A BILL

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

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

3 **SECTION 1. SHORT TITLE.**

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

6 **SEC. 2. ESTABLISHING TRADEABLE ENERGY PERFORM-**  
7 **ANCE STANDARDS.**

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

1 **“TITLE VII—TRADEABLE EN-**  
 2 **ERGY PERFORMANCE STAND-**  
 3 **ARDS**

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

4 **“SEC. 701. DEFINITIONS.**

5 “In this title:

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

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

10 “(2) **BILATERAL PURCHASE AGREEMENT.**—The  
 11 term ‘bilateral purchase agreement’ means an agree-  
 12 ment—

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

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

16 “(C) between the owner or operator of an  
 17 Existing Covered Facility and the owner or op-  
 18 erator of a Newly Constructed Low-Emission  
 19 Covered Facility; and

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

6           “(3) COVERED COGENERATION FACILITY.—The  
7 term ‘Covered Cogeneration Facility’ means a facil-  
8 ity that simultaneously produces useful thermal en-  
9 ergy output and electricity and—

10           “(A) has a rated electric capacity of 2  
11 megawatts or greater; or

12           “(B) is a facility for which the Adminis-  
13 trator has approved a request under section  
14 706(a)(3).

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

18           “(A) has a rated electric capacity of 2  
19 megawatts or greater; or

20           “(B) is a facility for which the Adminis-  
21 trator has approved a request under section  
22 706(a)(1).

23           “(5) COVERED FACILITY.—The term ‘Covered  
24 Facility’ means a Covered Electric Facility, a Cov-

1       ered Thermal Facility, or a Covered Cogeneration  
2       Facility.

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

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

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

15              “(7) DESIGNATED REPRESENTATIVE.—The  
16              term ‘designated representative’ means an individual  
17              for which a certificate of representation has been  
18              submitted under section 703(e)(3).

19              “(8) EMISSION ALLOWANCE.—The term ‘emis-  
20              sion allowance’ means a limited authorization to  
21              emit 1 metric ton of carbon dioxide that is distrib-  
22              uted under section 703.

23              “(9) EXISTING COVERED FACILITY.—The term  
24              ‘Existing Covered Facility’ means a Covered Facil-  
25              ity—

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

3           “(B) that produced electricity or useful  
4 thermal energy output as of the date on which  
5 the owner or operator entered into such agree-  
6 ment.

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

8           “(A) means a carbon compound formed in  
9 the crust of the Earth from decayed organic  
10 material; and

11           “(B) includes natural gas, petroleum, and  
12 coal.

13           “(11) HIGHER HEATING VALUE BASIS.—The  
14 term ‘higher heating value basis’ means that a given  
15 calculation regarding the total energy content of a  
16 fuel is made on the basis of the heat produced per  
17 unit of fuel when—

18           “(A) complete combustion takes place at  
19 constant pressure;

20           “(B) the products of combustion are cooled  
21 to the initial temperature of the fuel and air;  
22 and

23           “(C) the water vapor formed during com-  
24 bustion is condensed.

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

5           “(13) NEWLY CONSTRUCTED LOW-EMISSION  
6           COVERED FACILITY.—The term ‘Newly Constructed  
7           Low-Emission Covered Facility’ means a Covered  
8           Facility—

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

11                   “(B) that did not produce electricity or  
12                  useful thermal energy output prior to the date  
13                  on which the owner or operator entered into  
14                  such agreement;

15                   “(C) that, in the first full calendar year  
16                  during which the Covered Facility produces  
17                  electricity or useful thermal energy output,  
18                  emits a lesser quantity of carbon dioxide per  
19                  megawatt-hour of electricity production or per  
20                  million British thermal units of useful thermal  
21                  energy output than the average Covered Facil-  
22                  ity.

23           “(14) OUTPUT-BASED CO<sub>2</sub> EMISSIONS.—The  
24           term ‘Output-Based CO<sub>2</sub> Emissions’ means the fol-  
25           lowing:

1           “(A) COVERED ELECTRIC FACILITY.—For  
2 a Covered Electric Facility, the number that  
3 equals—

4           “(i) the total number of metric tons of  
5 carbon dioxide emissions released by all  
6 Covered Electric Facilities in a calendar  
7 year; divided by

8           “(ii) the total number of megawatt-  
9 hours of electricity produced by all Covered  
10 Electric Facilities in such calendar year.

11          “(B) COVERED THERMAL FACILITY.—For  
12 a Covered Thermal Facility, the number that  
13 equals—

14          “(i) the total number of metric tons of  
15 carbon dioxide emissions from all Covered  
16 Thermal Facilities in a calendar year; di-  
17 vided by

18          “(ii) the total number of millions of  
19 British thermal units of useful thermal en-  
20 ergy output from all Covered Thermal Fa-  
21 cilities in such calendar year.

22          “(15) OUTPUT-BASED CO<sub>2</sub> EMISSIONS BASE-  
23 LINE.—The term ‘Output-Based CO<sub>2</sub> Emissions  
24 Baseline’ means, with respect to a category of Cov-

1       ered Facility, the Output-Based CO<sub>2</sub> Emissions in  
2       calendar year 2027.

3               “(16) OUTPUT-BASED CO<sub>2</sub> EMISSIONS TAR-  
4       GET.—The term ‘Output-Based CO<sub>2</sub> Emissions Tar-  
5       get’ means the number of metric tons of carbon di-  
6       oxide per megawatt-hour or per million British ther-  
7       mal units, as applicable, that is used to calculate the  
8       number of emission allowances distributed by the  
9       Administrator to each Covered Facility under section  
10      703.

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

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

18                      “(A) for facilities that produce useful ther-  
19                      mal energy output with the combustion of fuel,  
20                      the peak fuel combustion rate, expressed in mil-  
21                      lions of British thermal units per hour; and

22                      “(B) for facilities that produce useful ther-  
23                      mal energy output without the combustion of  
24                      fuel, the peak useful thermal energy output rate

1           divided by 0.7, expressed in millions of British  
2           thermal units per hour.

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

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

20          “(21) TOTAL U.S. CO<sub>2</sub> EMISSIONS.—The term  
21          ‘Total U.S. CO<sub>2</sub> Emissions’ means, with respect to  
22          a given calendar year, the total amount of carbon di-  
23          oxide that would be produced if all the fossil fuels  
24          imported into the United States or extracted within  
25          the United States were fully combusted.

1           “(22) USEFUL THERMAL ENERGY OUTPUT.—

2           The term ‘useful thermal energy output’—

3                   “(A) means the net amount of thermal en-  
4                   ergy produced by a facility, including thermal  
5                   energy produced through the use of electricity;  
6                   and

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

10 **“SEC. 702. EMISSION ALLOWANCE SUBMISSION REQUIRE-**  
11 **MENT.**

12           “(a) IN GENERAL.—Beginning in calendar year  
13 2028, not later than June 1 of each calendar year, the  
14 owner or operator of each Covered Facility shall submit  
15 to the Administrator one emission allowance for each met-  
16 ric ton of carbon dioxide released directly to the atmos-  
17 phere by the facility during the preceding calendar year.

18           “(b) ACQUISITION OF EMISSION ALLOWANCES.—The  
19 owner or operator of a Covered Facility may acquire an  
20 emission allowance—

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

23                   “(2) by purchasing, exchanging, or transferring  
24                   an emission allowance in accordance with section  
25                   704.

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

4 “(1) the calendar year for which the emission  
5 allowance is distributed; or

6 “(2) the following calendar year.

7 “(d) ROUNDING OF EMISSION ALLOWANCES.—Any  
8 fraction of an emission allowance shall be rounded to the  
9 nearest whole emission allowance.

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

11 “(a) DISTRIBUTION.—

12 “(1) COVERED ELECTRIC FACILITIES.—For  
13 each of calendar years 2028 through 2048, the Ad-  
14 ministrators shall, not later than March 1 of a given  
15 calendar year, distribute to the owner or operator of  
16 each Covered Electric Facility a number of emission  
17 allowances equal to the product of—

18 “(A) the number of megawatt-hours of  
19 electricity produced by the Covered Electric Fa-  
20 cility during the previous calendar year; and

21 “(B) the Output-Based CO<sub>2</sub> Emissions  
22 Target for the calendar year.

23 “(2) COVERED THERMAL FACILITIES.—For  
24 each of calendar years 2028 through 2048, the Ad-  
25 ministrators shall, not later than March 1 of a given

1 calendar year, distribute to the owner or operator of  
2 each Covered Thermal Facility a number of emission  
3 allowances equal to the product of—

4 “(A) the number of millions of British  
5 thermal units of useful thermal energy output  
6 produced by the Covered Thermal Facility dur-  
7 ing the previous calendar year; and

8 “(B) the Output-Based CO<sub>2</sub> Emissions  
9 Target for the calendar year.

10 “(3) COVERED COGENERATION FACILITIES.—  
11 For each of calendar years 2028 through 2048, the  
12 Administrator shall, not later than March 1 of a  
13 given calendar year, distribute to the owner or oper-  
14 ator of each Covered Cogeneration Facility—

15 “(A) for each megawatt hour of electricity  
16 produced by the Covered Cogeneration Facility,  
17 a number of emission allowances calculated in  
18 accordance with paragraph (1); and

19 “(B) for each million British thermal units  
20 of useful thermal energy output produced by  
21 the Covered Cogeneration Facility, a number of  
22 emission allowances calculated in accordance  
23 with paragraph (2).

24 “(b) CALCULATION OF THE OUTPUT-BASED CO<sub>2</sub>  
25 EMISSIONS TARGET.—

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

4           “(2) SUBSEQUENT YEARS.—In a given calendar  
5           year other than calendar year 2028, the Output-  
6           Based CO2 Emissions Target shall be the greater  
7           of—

8                   “(A) zero; and

9                   “(B) the lesser of—

10                   “(i) the Output-Based CO2 Emissions  
11                   Target of the preceding calendar year  
12                   minus 5 percent of the Output-Based CO2  
13                   Emissions Baseline;

14                   “(ii) the Output-Based CO2 Emis-  
15                   sions of the preceding calendar year minus  
16                   5 percent of the Output-Based CO2 Emis-  
17                   sions Baseline;

18                   “(iii) the Output-Based CO2 Emis-  
19                   sions Target of preceding calendar year  
20                   minus 10 percent of the Output-Based  
21                   CO2 Emissions Baseline minus the Total  
22                   Emission Adjustment Index of the given  
23                   calendar year; and

24                   “(iv) the Output-Based CO2 Emis-  
25                   sions of preceding calendar year minus 10

1                   percent of the Output-Based CO<sub>2</sub> Emis-  
2                   sions Baseline minus the Total Emission  
3                   Adjustment Index of the given calendar  
4                   year.

5           “(c) CALCULATION OF TOTAL EMISSION ADJUST-  
6   MENT INDEX.—With respect to a given calendar year, the  
7   Total Emission Adjustment Index shall be calculated as  
8   1 minus the ratio of—

9                   “(1) the Total U.S. CO<sub>2</sub> Emissions in the pre-  
10                  vious calendar year; to

11                  “(2) the Total U.S. CO<sub>2</sub> Emissions in the cal-  
12                  endar year that began two years before the given  
13                  year.

14           “(d) GENERAL RULES.—

15                  “(1) IDENTIFICATION NUMBERS.—The Admin-  
16                  istrator shall assign to each emission allowance dis-  
17                  tributed under this section a unique identification  
18                  number.

19                  “(2) DESIGNATED REPRESENTATIVES.—The  
20                  owner or operator of each Covered Facility, and the  
21                  owner or operator of each other entity holding an  
22                  emission allowance or receiving an emission allow-  
23                  ance from the Administrator under this title, shall  
24                  submit to the Administrator a certificate of rep-  
25                  resentation designating a designated representative.

1           “(3) PREVENTION OF DOUBLE COUNTING.—

2           The Administrator shall not consider any Covered  
 3           Facility to which the Administrator distributes emis-  
 4           sion allowances under this section to be more than  
 5           one type of facility as defined under paragraphs (3),  
 6           (4), or (6) of section 701.

7           “(e) ALTERNATIVE COMPLIANCE PAYMENTS.—

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

14          “(2) AMOUNTS.—

15                 “(A) CALENDAR YEARS 2028 THROUGH  
 16                 2038.—For calendar years 2028 through 2038,  
 17                 the amount of an Alternative Compliance Pay-  
 18                 ment shall be as follows, except as the Adminis-  
 19                 trator shall adjust for inflation:

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

1           “(B) CALENDAR YEARS 2039 THROUGH  
2           2048.—For calendar years 2039 through 2048,  
3           the amount of the Alternative Compliance Pay-  
4           ment for a given year shall annually increase by  
5           an equal amount from \$70 in 2038, adjusted  
6           for inflation under subparagraph (A), to the So-  
7           cial Cost of Carbon in 2048.

8           “(C) CALENDAR YEAR 2048 AND THERE-  
9           AFTER.—The amount of an Alternative Compli-  
10          ance Payment for calendar year 2048 and  
11          thereafter shall be equal to the Social Cost of  
12          Carbon.

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

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

16               “(1) submit the emission allowances to the Ad-  
17               ministrator; and

18               “(2) sell, exchange, and transfer the emission  
19               allowance to another entity in accordance with sub-  
20               section (c).

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

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



1 the Administrator shall distribute to the owner or  
2 operator of the Existing Covered Facility—

3 “(A) for megawatt hours of electricity or  
4 million British thermal units of useful thermal  
5 energy output, as applicable, produced by the  
6 Existing Covered Facility that are covered by  
7 the agreement, a number of emission allowances  
8 that is equal to—

9 “(i) such number of megawatt hours  
10 or million British thermal units, as appli-  
11 cable; multiplied by

12 “(ii) the Output-Based CO<sub>2</sub> Emis-  
13 sions for Covered Electric Facilities or  
14 Covered Thermal Facilities, as applicable,  
15 for such first full calendar year; and

16 “(B) for megawatt hours of electricity or  
17 million British thermal units of useful thermal  
18 energy output, as applicable, produced by the  
19 Existing Facility that are not covered by the  
20 agreement, the number of emission allowances  
21 calculated under section 703(a).

22 “(2) CALCULATION OF MEGAWATT HOURS OR  
23 MILLION BRITISH THERMAL UNITS COVERED BY  
24 AGREEMENT.—For purposes of paragraph (1), the  
25 number of megawatt hours of electricity or million

1 British thermal units of useful thermal energy out-  
2 put, as applicable, produced by an Existing Covered  
3 Facility that are covered by the agreement shall be  
4 equal to—

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

10 “(i) the number of emission allow-  
11 ances submitted to the Administrator by  
12 the owner or operator of the Existing Cov-  
13 ered Facility for such first full calendar  
14 year; minus

15 “(ii) the number of emission allow-  
16 ances distributed to the owner or operator  
17 of the Existing Covered Facility by the Ad-  
18 ministrator for such first full calendar  
19 year; multiplied by

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

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

3           “(1) IN GENERAL.—For calendar years that are  
4 covered by an agreement described in subsection (a),  
5 beginning with the first full calendar year during  
6 which the Newly Constructed Low-Emission Covered  
7 Facility produces at least 1 megawatt-hour of elec-  
8 tricity or 1 million British thermal units of useful  
9 thermal energy output, the Administrator shall dis-  
10 tribute to the owner or operator of the Newly Con-  
11 structed Low-Emission Covered Facility—

12           “(A) for megawatt hours of electricity or  
13 million British thermal units of useful thermal  
14 energy output, as applicable, produced by the  
15 Newly Constructed Low-Emission Covered Fa-  
16 cility that are covered by the agreement, a num-  
17 ber of emission allowances that is equal to—

18           “(i) such number of megawatt hours  
19 or million British thermal units of useful  
20 thermal energy output; multiplied by

21           “(ii) the Output-Based CO<sub>2</sub> Emis-  
22 sions for Covered Electric Facilities or  
23 Covered Thermal Facilities, as applicable,  
24 for such first full calendar year; and

1           “(B) for megawatt hours of electricity or  
2 million British thermal units of useful thermal  
3 energy output, as applicable, produced by the  
4 Newly Constructed Low-Emission Covered Fa-  
5 cility that are not covered by the agreement, the  
6 number of emission allowances calculated under  
7 section 703(a).

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

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

21           “(i) the number of emission allow-  
22 ances submitted to the Administrator by  
23 the owner or operator of the Newly Con-  
24 structed Low-Emission Covered Facility  
25 for such first full calendar year; minus

1                   “(ii) the number of emission allow-  
2                   ances distributed to the owner or operator  
3                   of the Newly Constructed Low-Emission  
4                   Covered Facility by the Administrator for  
5                   such first full calendar year; multiplied by

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

11               “(c) CONDITIONS.—The owner or operator of an ex-  
12               isting Covered Facility or Newly Constructed Low-Emis-  
13               sion Covered Facility that is a party to a bilateral pur-  
14               chase agreement may receive emission allowances under  
15               this section only if such owner or operator provides to the  
16               Administrator a copy of—

17                   “(1) the applicable bilateral purchase agree-  
18                   ment; and

19                   “(2) any amendment to such bilateral purchase  
20                   agreement within 30 days of the amendment being  
21                   made.

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

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

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

4 “(1) as a Covered Electric Facility, any facility  
5 that produces electricity at a Rated Fuel-Based Ca-  
6 pacity of less than 2 megawatts;

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

12 “(3) as a Covered Cogeneration Facility, any  
13 facility that—

14 “(A) simultaneously produces useful ther-  
15 mal energy output and electricity; and

16 “(B) has a rated electric capacity of less  
17 than 2 megawatts.

18 “(b) **DESIGNATION OF REPRESENTATIVE.**—The Ad-  
19 ministrator shall approve a request submitted under sub-  
20 section (a) if the owner or operator of the facility des-  
21 ignates a representative under section 703(d)(2).

22 “(c) **DEADLINE FOR NOTIFICATION.**—Not later than  
23 90 days after receipt of a request submitted under sub-  
24 section (a), the Administrator shall notify the owner or  
25 operator of the facility whether the Administrator ap-  
26 proves or disapproves the request.

1       “(d) **TERMINATION OF CLASSIFICATION.**—The Ad-  
2       ministrators shall terminate the classification of a facility  
3       as a Covered Facility under subsection (a) if, during the  
4       previous calendar year, the facility did not—

5               “(1) produce electricity; or

6               “(2) produce useful thermal energy output.

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

8       “(a) **REGULATIONS.**—The Administrator shall issue  
9       regulations to provide for—

10              “(1) the establishment of a system to process  
11              the distribution of emission allowances to Covered  
12              Facilities under section 703 and section 705;

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

16              “(3) the establishment of an emission allowance  
17              tracking system to track—

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

20                      “(B) the price or monetary value of such  
21                      emission allowances;

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

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

1           “(E) any additional information the Ad-  
2           ministrator determines necessary to ensure the  
3           integrity and efficiency of the market for emis-  
4           sion allowances; and

5           “(4) the weekly publication by the Adminis-  
6           trator on the website of the Environmental Protec-  
7           tion Agency, in a publicly available and searchable  
8           format, of—

9           “(A) a summary of average prices or mon-  
10          etary values of emission allowances, the total  
11          number of emission allowances sold, exchanged,  
12          transferred, or submitted, and any other addi-  
13          tional information determined by the Adminis-  
14          trator as necessary to ensure the integrity and  
15          efficiency of the market for emission allow-  
16          ances;

17          “(B) the number of emission allowances  
18          distributed by the Administrator under section  
19          703 and section 705;

20          “(C) the number of emission allowances  
21          distributed by the Administrator under section  
22          703 and section 705 during the calendar year  
23          before the year of publication that are held at  
24          the end of each month of the current calendar  
25          year by each category of Covered Facility; and

1           “(D) the number of emission allowances  
2           submitted to the Administrator each year by  
3           each category of Covered Facility.

4           “(b) POSITION LIMITS.—The Administrator, in con-  
5           sultation with the Commodity Futures Trading Commis-  
6           sion, shall establish by regulation limits on the number  
7           of emission allowances that an entity may hold so that,  
8           in the determination of the Administrator—

9           “(1) no entity shall hold a number of emission  
10          allowances that may influence the price or monetary  
11          value of emission allowances; and

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

14          “(c) STATUS OF SUBMITTED EMISSION ALLOW-  
15          ANCES.—Once an emission allowance is submitted to the  
16          Administrator under section 702, the emission allowance  
17          shall be disqualified from subsequent use under this title,  
18          including subsequent sale, exchange, transfer, and submis-  
19          sion.

20          “(d) ORDERLY AND COMPETITIVE MARKET.—The  
21          Administrator shall issue regulations as necessary in the  
22          determination of the Administrator for an orderly and  
23          competitive market for selling, exchanging, transferring,  
24          and submitting emission allowances.

1 **“SEC. 708. OFFSET PROGRAM.**

2 “(a) CARBON MITIGATION FUND.—

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

6 “(2) ADMINISTRATION.—The Carbon Mitiga-  
7 tion Fund shall be administered by the Adminis-  
8 trator.

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

11 “(A) The amounts paid as Alternative  
12 Compliance Payments pursuant to section  
13 703(e).

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

16 “(4) APPROPRIATION.—Amounts in the Carbon  
17 Mitigation Fund shall be available without further  
18 appropriation or fiscal year limitation to carry out  
19 the Offset Program under subsection (b).

20 “(b) OFFSET PROGRAM.—

21 “(1) IN GENERAL.—The Administrator shall  
22 carry out a program (to be known as the ‘Offset  
23 Program’) to award grants to entities to carry out  
24 activities that avoid emissions of greenhouse gases  
25 or permanently sequester carbon dioxide from the

1 atmosphere, as determined in accordance with para-  
2 graph (3).

3 “(2) ACTIVITIES.—The activities described in  
4 paragraph (1) may include—

5 “(A) improvements to the energy efficiency  
6 of existing facilities and devices;

7 “(B) improvements to the electrical grid;

8 “(C) the replacement of natural gas space  
9 heaters, natural gas water heaters, and natural  
10 gas stoves with electric appliances;

11 “(D) the replacement of fossil fuel-powered  
12 vehicles owned by State or local agencies with  
13 electric vehicles or other low-carbon fuel vehi-  
14 cles;

15 “(E) the replacement of fossil fuel-powered  
16 ground airport and seaport vehicles with electric  
17 vehicles or other low-carbon fuel vehicles;

18 “(F) installation of charging stations for  
19 electric vehicles along highways and other pub-  
20 lic roads in urban areas and rural areas in  
21 which the availability of such charging stations  
22 is significantly below the national average; and

23 “(G) beneficial electrification-related re-  
24 ductions not otherwise identified in this para-  
25 graph.

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

4                   “(A) the amount of greenhouse gas emis-  
5                   sions to be avoided or permanently sequestered  
6                   from the atmosphere by the activity will be ade-  
7                   quately confirmed through monitoring, report-  
8                   ing, and verification;

9                   “(B) the risk that some amount of the car-  
10                  bon dioxide that is to be sequestered from the  
11                  atmosphere by the activity may reenter the at-  
12                  mosphere at a later date is adequately reflected  
13                  through a discounting of the amount described  
14                  in paragraph (4)(C)(ii);

15                  “(C) the risk that some amount of the  
16                  greenhouse gases, the emission of which is  
17                  avoided by the activity, may enter the atmos-  
18                  phere at a later date is adequately reflected  
19                  through a discounting of the amount described  
20                  in paragraph (4)(C)(i);

21                  “(D) the risk that the activity may directly  
22                  or indirectly increase the release of greenhouse  
23                  gases from another location has been ade-  
24                  quately addressed;

1           “(E) the activity is not required, or being  
2 supported financially (except pursuant to this  
3 subsection), by a Federal, State, or local law,  
4 program, or activity; and

5           “(F) if the activity involves land use, the  
6 activity—

7           “(i) aligns with the Sustainable Devel-  
8 opment Goals, as adopted by of the United  
9 Nations under the Post-2015 Development  
10 Agenda, and amended by the United Na-  
11 tions, including being consistent with the  
12 conservation of biological diversity and nat-  
13 ural ecosystems (including forests and  
14 grasslands); and

15           “(ii) maintains ecosystem services and  
16 other social and environmental benefits.

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

20           “(A) describes the activity to be carried  
21 out with the grant;

22           “(B) identifies the amount of money for  
23 which the entity is applying;

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

1 “(i) greenhouse gas emissions to be  
2 avoided by the activity; and

3 “(ii) carbon dioxide to be permanently  
4 sequestered from the atmosphere by the  
5 activity;

6 “(D) identifies the bid amount, expressed  
7 as dollars per metric ton, which shall be the  
8 quotient obtained by dividing the amount iden-  
9 tified under subparagraph (B) by the amount  
10 identified under subparagraph (C);

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

14 “(F) provides any other certifications the  
15 Administrator determines appropriate.

16 “(5) DEADLINES.—

17 “(A) SOLICITATION.—Not later than Feb-  
18 ruary 1, 2028, and each February 1 thereafter,  
19 the Administrator shall solicit proposals for ac-  
20 tivities described in paragraph (1) for which the  
21 Administrator may award grants under the Off-  
22 set Program.

23 “(B) IDENTIFICATION.—Not later than  
24 June 1, 2028, and each June 1 thereafter, the  
25 Administrator shall identify and publish a list

1 of proposals that have been submitted by March  
2 1 of the applicable year for activities described  
3 in paragraph (1) that qualify for an award of  
4 a grant under the Offset Program.

5 “(C) AWARD OF GRANTS.—Not later than  
6 August 1, 2028, and each August 1 thereafter,  
7 the Administrator shall, to the extent amounts  
8 are available in the Carbon Mitigation Fund,  
9 award grants to entities that submitted a pro-  
10 posal that is listed pursuant to subparagraph  
11 (B).

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

16 “(A) beginning by awarding funds to the  
17 entity submitting such a proposal with the low-  
18 est bid amount identified pursuant to para-  
19 graph (4)(D); and

20 “(B) then awarding funds to entities se-  
21 quentially by entity submitting such a proposal  
22 with the next lowest bid amount so identified  
23 until all funds are awarded.

24 “(c) REGULATIONS REGARDING CARBON DIOXIDE  
25 SEQUESTRATION.—

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

3           “(A) the conditions under which carbon di-  
4 oxide may be safely and permanently seques-  
5 tered;

6           “(B) the methods and processes by which  
7 carbon dioxide may be safely and permanently  
8 sequestered, including by incorporating the car-  
9 bon in a commercial product; and

10           “(C) requirements to account for the risk  
11 that some fraction of the carbon dioxide in-  
12 tended to be permanently sequestered may be  
13 emitted into the atmosphere.

14           “(2) EXISTING REQUIREMENTS.—In issuing  
15 regulations described in this subsection, the Admin-  
16 istrator shall incorporate to the extent practicable  
17 any existing requirements for the sequestration of  
18 carbon dioxide, including any requirements promul-  
19 gated under section 45Q of the Internal Revenue  
20 Code of 1986.

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

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

2 “(a) CIVIL PENALTY.—

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

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

11 “(A) three times the highest price or mon-  
12 etary value during the previous calendar year  
13 (as indicated by the emission allowance tracking  
14 system established pursuant to section 707) for  
15 the sale, exchange, or transfer of an emission  
16 allowance; and

17 “(B) the number of emission allowances  
18 that the owner or operator of the Covered Fa-  
19 cility failed to submit as described in paragraph  
20 (1).

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

24 “(4) NO EFFECT ON LIABILITY.—A penalty due  
25 by the owner or operator of a Covered Facility under  
26 this subsection shall not diminish the liability of the

1 owner or operator for any fine, penalty, or assess-  
2 ment against the owner or operator for the same vio-  
3 lation under any other provision of this Act or any  
4 other law.

5 “(b) REPLACEMENT EMISSION ALLOWANCES.—The  
6 owner or operator of a Covered Facility that fails to sub-  
7 mit one or more emission allowances as required under  
8 section 702(a) for a calendar year shall submit a number  
9 of emission allowances that is equal to sum of the number  
10 the owner or operator failed to submit and the emission  
11 allowances otherwise required to be submitted by the April  
12 1 deadline of the second succeeding calendar year.

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

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

18 “(1) a comprehensive evaluation of—

19 “(A) the efficiency, transparency, and in-  
20 tegrity of the distribution of emission allow-  
21 ances under section 703 and section 705;

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

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

25 “(i) creating and preserving jobs;

1                   “(ii) ensuring a manageable transition  
2                   to a zero-emission economy for working  
3                   families and workers;

4                   “(iii) driving the innovation and de-  
5                   ployment of zero-emission technologies;  
6                   and

7                   “(iv) maintaining an orderly and com-  
8                   petitive market for selling, exchanging,  
9                   transferring, and submitting emission al-  
10                  lowances; and

11                  “(2) recommendations, if any, for legislative,  
12                  regulatory, or administrative changes with respect to  
13                  this title to improve its effectiveness.

14   **“SEC. 711. FINAL REGULATIONS.**

15                  “The Administrator shall issue final regulations to  
16                  carry out this title not later than 24 months after the date  
17                  of enactment of this title.

18   **“SEC. 712. SAVINGS PROVISIONS.**

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

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