

119TH CONGRESS
1ST SESSION

H. R. 6787

To amend the Internal Revenue Code of 1986 to create a carbon border adjustment based on carbon intensity, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 17, 2025

Ms. DELBENE (for herself, Mr. BEYER, Ms. CASTOR of Florida, Mr. BERA, Ms. CHU, and Mr. PANETTA) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Energy and Commerce, and Foreign Affairs, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to create a carbon border adjustment based on carbon intensity, 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 “Clean Competition
5 Act”.

1 **SEC. 2. CARBON INTENSITY CHARGE.**

2 (a) IN GENERAL.—Chapter 38 of the Internal Rev-
 3 enue Code of 1986 is amended by adding at the end the
 4 following new subchapter:

5 **“Subchapter E—Carbon Intensity Charge**

“Sec. 4691. Calculation of carbon intensity.

“Sec. 4692. Imposition of carbon intensity charge.

“Sec. 4693. Rebate.

“Sec. 4694. Carbon clubs.

“Sec. 4695. Definitions.

6 **“SEC. 4691. CALCULATION OF CARBON INTENSITY.**

7 “(a) DOMESTIC REPORTING REQUIREMENTS.—Not
 8 later than June 30, 2026, and annually thereafter, any
 9 covered entity shall, for each eligible facility operated by
 10 such entity, report to the Secretary, the Administrator,
 11 and the Secretary of Energy with respect to the following:

12 “(1) Any information required to be reported to
 13 the Administrator under the Greenhouse Gas Re-
 14 porting Program (as would be required to be re-
 15 ported notwithstanding any other provision of law
 16 prohibiting the implementation of or use of funds for
 17 such requirements) for the preceding calendar year.

18 “(2) The total amount of electricity used at
 19 such facility during the preceding calendar year, in-
 20 cluding—

21 “(A) whether such electricity was provided
 22 through the electric grid or a dedicated genera-
 23 tion source,

1 “(B) the terms of any power purchase
2 agreements with respect to such facility, and

3 “(C) with respect to any electricity which
4 was not provided through the electric grid, the
5 greenhouse gas emissions associated with the
6 production of such electricity, provided that
7 such emissions are not reported pursuant to
8 paragraph (1).

9 “(3) The total relevant quantity of each covered
10 primary good produced at such facility during the
11 preceding calendar year.

12 “(4) Any other information determined nec-
13 essary by the Secretary for purposes of the adminis-
14 tration of subsection (b).

15 “(b) CALCULATION.—

16 “(1) CARBON INTENSITY.—

17 “(A) ELIGIBLE FACILITY.—For purposes
18 of this subchapter, for each calendar year, the
19 carbon intensity with respect to any eligible fa-
20 cility shall be an amount equal to the quotient
21 of—

22 “(i) the covered emissions (as deter-
23 mined under paragraph (2)) with respect
24 to such facility, divided by

1 “(ii) the total relevant quantity of cov-
2 ered primary goods produced at such facil-
3 ity during the preceding calendar year.

4 “(B) COVERED NATIONAL INDUSTRY.—

5 “(i) IN GENERAL.—For purposes of
6 this subchapter, the carbon intensity with
7 respect to any covered national industry
8 shall be an amount (as determined by the
9 Secretary) equal to the quotient of—

10 “(I) an amount equal to the sum
11 of the covered emissions (as deter-
12 mined under paragraph (2)) with re-
13 spect to all eligible facilities which
14 produce covered primary goods which
15 are included within such covered na-
16 tional industry for the calendar year,
17 divided by

18 “(II) the total relevant quantity
19 of covered primary goods within such
20 covered national industry which are
21 produced at all such eligible facilities
22 during such year.

23 “(ii) COVERED PRIMARY GOODS DE-
24 TERMINATION.—For purposes of this sub-
25 chapter—

1 “(I) a covered primary good shall
2 initially be included within the covered
3 national industry with which it is as-
4 sociated under the most recent con-
5 cordance table published by the Bu-
6 reau of the Census comparing classi-
7 fications under the Harmonized Tariff
8 System and the North American In-
9 dustry Classification System, and

10 “(II) the Secretary (in coordina-
11 tion with the relevant parties) may
12 subsequently determine which types of
13 eligible facilities or processes within
14 facilities (and any related covered pri-
15 mary goods) are included or excluded
16 within a covered national industry,
17 provided that such determination—

18 “(aa) facilitates a fair com-
19 parison of carbon intensities
20 across similar eligible facilities
21 (based on a comparison of the
22 energy-intensive processes and
23 the material outputs of such fa-
24 cilities),

1 “(bb) does not meaningfully
2 reduce the scope of greenhouse
3 gas emissions covered by this
4 subchapter, and

5 “(cc) ensures that each cov-
6 ered primary good is only in-
7 cluded within a single covered na-
8 tional industry.

9 “(iii) EXCLUDED FACILITIES.—In the
10 case of any eligible facility which, pursuant
11 to clause (ii), is excluded from a covered
12 national industry and is not included in
13 any other covered national industry, such
14 facility shall be deemed to not be included
15 in any covered national industry.

16 “(C) PETITION FOR SPECIFIC GOODS.—

17 “(i) IN GENERAL.—In the case of any
18 covered national industry which produces
19 more than 1 covered primary good, a cov-
20 ered entity may file a petition with the
21 Secretary to—

22 “(I) remove 1 or more covered
23 primary goods from inclusion under
24 any covered national industry,

1 “(II) establish a new covered na-
2 tional industry for purposes of the
3 goods described in subclause (I),

4 “(III) determine the carbon in-
5 tensity with respect to the covered na-
6 tional industry established under sub-
7 clause (II), and

8 “(IV) determine a classification
9 for defining such covered national in-
10 dustry for purposes of this sub-
11 chapter, such as—

12 “(aa) the applicable 6-digit
13 subheading (or subheadings) of
14 the Harmonized Tariff Schedule
15 of the United States of the goods
16 described in subclause (I),

17 “(bb) the relevant produc-
18 tion process,

19 “(cc) a set of material char-
20 acteristics, or

21 “(dd) any combination of
22 the methods for classification de-
23 scribed in items (aa) through
24 (cc).

1 “(ii) REVIEW.—With respect to any
2 covered primary good which is included in
3 a petition described in clause (i), the Sec-
4 retary (in coordination with the Adminis-
5 trator and the Secretary of Energy) shall
6 approve such petition if—

7 “(I) the chemical, physical, or
8 mechanical production processes for
9 such good or goods are substantially
10 different as compared to other covered
11 primary goods produced within the
12 same covered national industry,

13 “(II) the properties of such good
14 or goods are distinct such that its
15 uses cannot be easily replaced by
16 other covered primary goods produced
17 within the same covered national in-
18 dustry, and

19 “(III) the carbon intensity deter-
20 mined with respect to such good or
21 goods is at least 25 percent greater
22 than the carbon intensity determined
23 for other covered primary goods pro-
24 duced within the same covered na-
25 tional industry.

1 “(iii) RECALCULATION.—In the case
2 of any petition described in clause (i)
3 which is approved by the Secretary pursu-
4 ant to clause (ii), the Secretary (in coordi-
5 nation with the Administrator) shall rede-
6 termine the carbon intensity, as well as the
7 baseline carbon intensity, with respect to
8 the covered national industry or industries
9 which previously included production of the
10 covered primary good or goods which are
11 the subject of such petition by excluding
12 any covered emissions associated with the
13 production of such good or goods for pur-
14 poses of the determination made under
15 subparagraph (B) for such industry.

16 “(iv) GOODS-LEVEL DATA.—In the
17 case of any petition described in clause (i)
18 which is approved by the Secretary pursu-
19 ant to clause (ii), the Secretary (in coordi-
20 nation with the Administrator) shall use a
21 methodology for determining the carbon in-
22 tensity of the covered primary good or sub-
23 set of primary goods (as determined using
24 the eligible facility information reported
25 under subsection (a)), and shall publish

1 the methodology and the results of such
2 determination, in a manner which—

3 “(I) is compatible with existing
4 Federal carbon accounting rules and
5 standards,

6 “(II) includes the related chem-
7 ical, physical, or mechanical produc-
8 tion processes responsible for dif-
9 ferences in carbon intensity and cov-
10 ered emissions, and

11 “(III) prioritizes ease of adminis-
12 tration and compliance.

13 “(D) DETERMINATION.—Any determina-
14 tion of carbon intensity under this paragraph
15 shall be made by the Secretary in coordination
16 with the Administrator and the Secretary of
17 Energy.

18 “(E) RELEVANT QUANTITY.—For purposes
19 of this subchapter, the relevant quantity of a
20 covered primary good shall be determined based
21 on—

22 “(i) the weight (expressed in metric
23 tons) of such good, or

24 “(ii) if the Secretary, in coordination
25 with the Administrator and the Secretary

1 of Energy, determines that using an alter-
2 nate physical unit of measurement (such
3 as volume at a specific pressure or energy
4 content) would better facilitate a fair com-
5 parison of carbon intensities across the
6 covered primary goods in the covered na-
7 tional industry, an alternate physical unit
8 of measurement.

9 “(2) COVERED EMISSIONS.—

10 “(A) IN GENERAL.—For purposes of this
11 subsection, for each calendar year, the amount
12 of covered emissions with respect to any eligible
13 facility shall be an amount (as determined by
14 the Secretary, in coordination with the Admin-
15 istrator) equal to the sum of—

16 “(i) the total greenhouse gas emis-
17 sions associated with the production of cov-
18 ered primary goods at such facility during
19 the preceding calendar year (as reported
20 pursuant to subsection (a)), plus

21 “(ii) the total greenhouse gas emis-
22 sions associated with any electricity used
23 at such facility for the production of such
24 goods during the preceding calendar year.

1 “(B) EMISSIONS FOR ELECTRICITY
2 USED.—

3 “(i) IN GENERAL.—For purposes of
4 subparagraph (A)(ii), the amount of green-
5 house gas emissions associated with elec-
6 tricity provided through the electric grid
7 shall be determined based on the average
8 carbon intensity for the regional grid in
9 which the eligible facility is located for the
10 preceding calendar year.

11 “(ii) EXCEPTION.—In the case of an
12 eligible facility which is subject to a power
13 purchase agreement (or its foreign equiva-
14 lent) which guarantees that any electricity
15 provided under such agreement is gen-
16 erated within the same hour as it is used
17 by such facility and within the same re-
18 gional transmission zone (or its foreign
19 equivalent) as such facility—

20 “(I) clause (i) shall not apply
21 with respect to the amount of elec-
22 tricity provided under such agree-
23 ment, and

24 “(II) the amount of greenhouse
25 gas emissions associated with such

1 electricity shall be determined based
2 on the average carbon intensity of the
3 electricity provided under such agree-
4 ment.

5 “(3) IMPORTED GOODS.—

6 “(A) IN GENERAL.—In the case of any
7 covered primary good which is imported into
8 the United States, the carbon intensity with re-
9 spect to such good shall be determined as fol-
10 lows:

11 “(i) ECONOMY-WIDE DEFAULT.—Sub-
12 ject to clauses (ii), (iii), and (iv), the car-
13 bon intensity with respect to the covered
14 primary good shall be equal to the product
15 of—

16 “(I) an amount equal to the
17 quotient of—

18 “(aa) the carbon intensity of
19 the general economy of the coun-
20 try of origin of such good, di-
21 vided by

22 “(bb) the carbon intensity of
23 the general economy of the
24 United States, multiplied by

1 “(II) the carbon intensity of the
2 covered national industry in the
3 United States for such good for the
4 preceding calendar year.

5 “(ii) INDUSTRY DATA.—If the Sec-
6 retary (in coordination with the relevant
7 parties) determines that transparent,
8 verifiable, and reliable information is avail-
9 able with respect to any covered national
10 industry in the country of origin of the
11 covered primary good and that such coun-
12 try of origin is a transparent market econ-
13 omy, the carbon intensity with respect to
14 the covered primary good shall be equal to
15 the relevant covered national industry car-
16 bon intensity of the country of origin of
17 such good.

18 “(iii) MANUFACTURER DATA.—If a
19 petition under subparagraph (C) has been
20 approved, the carbon intensity with respect
21 to the covered primary good shall be equal
22 to the average carbon intensity with re-
23 spect to the production of such good by the
24 manufacturer within the country of origin.

1 “(iv) ESTIMATES FOR SIGNIFICANT
2 IMPORTS.—If the Secretary (in coordina-
3 tion with the relevant parties) determines
4 that—

5 “(I)(aa) greater than 10 percent
6 of the value of imports of covered pri-
7 mary goods in a covered national in-
8 dustry come from a single country of
9 origin, or

10 “(bb) when applied to imports of
11 covered primary goods in a covered
12 national industry from a country of
13 origin, the carbon intensity deter-
14 mined under clause (i) fails to main-
15 tain the integrity and efficacy of this
16 subchapter, and

17 “(II)(aa) transparent, verifiable,
18 and reliable information is not avail-
19 able to determine the carbon intensity
20 of the covered national industry in
21 such country of origin, or

22 “(bb) such country of origin is
23 not a transparent market economy,
24 the Secretary (in coordination with
25 the relevant parties) shall estimate the

1 carbon intensity of the covered na-
2 tional industry in the country of ori-
3 gin using best available data (such as
4 the production processes used by the
5 facilities in the country).

6 “(B) CARBON INTENSITY OF THE GEN-
7 ERAL ECONOMY.—For purposes of this sub-
8 chapter, with respect to any country, the carbon
9 intensity of the general economy of such coun-
10 try shall be an amount equal to the quotient
11 of—

12 “(i) the greenhouse gas emissions of
13 such country for the most recent year for
14 which the Secretary determines there is re-
15 liable information, divided by

16 “(ii) the gross domestic product of
17 such country for the year described in
18 clause (i).

19 “(C) PETITION FOR FOREIGN MANUFAC-
20 Turer DATA.—

21 “(i) IN GENERAL.—In the case of any
22 entity which imports a covered primary
23 good for which the carbon intensity can be
24 determined under subparagraph (A)(ii)
25 from a country of origin where there is no

1 evidence of inter-firm resource shuffling,
2 such entity may file a petition with the
3 Secretary to determine the charge under
4 section 4692, if any, based on the average
5 carbon intensity with respect to the pro-
6 duction of such good by the manufacturer
7 within the country of origin.

8 “(ii) AGGREGATION RULE.—For pur-
9 poses of this subparagraph, the average
10 carbon intensity with respect to the pro-
11 duction of a covered primary good shall be
12 determined based upon greenhouse gas
13 emission and production data from all fa-
14 cilities which produce such good which are
15 under common control of the manufacturer
16 of such good, including any subsidiary,
17 parent company, or joint venture of such
18 manufacturer within the country of origin.

19 “(iii) DATA PROVISION.—In the case
20 of an entity which files a petition described
21 in clause (i), such entity shall provide the
22 Secretary with an environmental product
23 declaration containing—

24 “(I) any information which would
25 otherwise be required to be reported

1 under subsection (a) if the facilities
2 which produced the covered primary
3 good to which the petition applies
4 were subject to the reporting require-
5 ments under the Greenhouse Gas Re-
6 porting Program, and

7 “(II) any other information
8 which is necessary (as determined by
9 the Secretary, in coordination with the
10 relevant parties) to calculate the car-
11 bon intensity of the covered primary
12 good in accordance with any relevant
13 methodologies for allocating the car-
14 bon intensity of the covered primary
15 good under paragraph (1)(C)(iv).

16 “(iv) DATA STANDARDS.—The Sec-
17 retary shall only grant such a petition if
18 the information provided pursuant to
19 clause (iii) meets the quality, verification,
20 and completeness requirements of the
21 equivalent Federal carbon accounting rules
22 and standards that would apply if the cov-
23 ered primary good were produced domesti-
24 cally.

1 “(D) INPUTS.—With respect to any cov-
2 ered primary good which is imported into the
3 United States and for which other covered pri-
4 mary goods (other than petroleum, natural gas,
5 coal, or any waste or scrap product) from other
6 covered national industries were used as inputs
7 in the production of the imported covered pri-
8 mary good, the quantity of such inputs used in
9 the production of the imported covered primary
10 good shall be treated as separate covered pri-
11 mary goods that, without double-counting emis-
12 sions, shall be considered to be imported for
13 purposes of this subchapter.

14 “(E) EXCLUSION.—

15 “(i) IN GENERAL.—Subject to clause
16 (ii), in the case of any covered primary
17 good (including any covered primary good
18 which is an input of a finished good) which
19 is imported into the United States and was
20 produced in a relatively least developed
21 country (as described in section 124 of the
22 Foreign Assistance Act of 1961 (22 U.S.C.
23 2151v)), this paragraph shall not apply.

24 “(ii) EXCEPTION.—Clause (i) shall
25 not apply if the country described in such

1 clause produces at least 3 percent of total
2 global exports by value of the covered pri-
3 mary good.

4 “(F) INTER-FIRM RESOURCE SHUF-
5 FLING.—For purposes of this paragraph, the
6 term ‘inter-firm resource shuffling’ means any
7 buying, selling, trading, exchanging, or other
8 transfer of control of production facilities be-
9 tween entities based on the carbon intensity of
10 such facilities for the purpose of creating enti-
11 ties with relatively lower carbon intensity and
12 entities with relatively higher carbon intensity.

13 “(G) TRADING PARTNERS.—For countries
14 with which the United States has agreements
15 that facilitate trade, commit the parties to re-
16 frain from imposing new trade barriers, and es-
17 tablish high standards for labor and environ-
18 mental protection and human rights, the Sec-
19 retary (working with the relevant parties) shall
20 make best efforts to work with the government
21 of such country to improve data sharing, accu-
22 racy, and transparency such that imports of
23 covered primary goods from such country have
24 their carbon intensity determined under sub-
25 paragraph (A)(ii).

1 “(c) PUBLICATION.—The Secretary (in coordination
2 with the relevant parties) shall—

3 “(1) annually publish any carbon intensity
4 which has been determined under subsection (b)
5 with respect to any eligible facility, covered national
6 industry, covered primary good, foreign manufac-
7 turer, or country of origin (including the physical
8 unit of measurement which serves as the relevant
9 quantity with respect to any covered primary good),

10 “(2) publish (and update, as appropriate) a list
11 of each covered primary good, as categorized by the
12 covered national industry in which such good is in-
13 cluded, and

14 “(3) publish (and update, as appropriate) a list
15 of each good that qualifies as a finished good, as de-
16 termined by the Secretary pursuant to section
17 4695(9).

18 **“SEC. 4692. IMPOSITION OF CARBON INTENSITY CHARGE.**

19 “(a) IN GENERAL.—

20 “(1) IMPORTATION OF GOODS.—

21 “(A) IN GENERAL.—

22 “(i) COVERED PRIMARY GOODS.—Sub-
23 ject to section 4694, in the case of any
24 covered primary good imported into the
25 United States during any calendar year be-

1 ginning after December 31, 2025, there is
2 hereby imposed a charge in an amount
3 (rounded to the nearest dollar) equal to
4 the product of—

5 “(I) the amount (if any) by
6 which the carbon intensity determined
7 under section 4691(b)(3) with respect
8 to such good exceeds an amount equal
9 to the applicable percentage of the
10 baseline carbon intensity of the cov-
11 ered national industry which includes
12 such good, multiplied by

13 “(II) the total relevant quantity
14 of the good imported into the United
15 States, multiplied by

16 “(III) the cost of pollution (as
17 determined under subsection (c)).

18 “(ii) FINISHED GOODS.—

19 “(I) IN GENERAL.—Subject to
20 section 4694, in the case of any fin-
21 ished good which is imported into the
22 United States during any calendar
23 year beginning after December 31,
24 2027, there is hereby imposed a
25 charge in an amount equal to the sum

1 of the amounts determined under sub-
2 clause (II) with respect to each cov-
3 ered primary good which is an input
4 of such finished good.

5 “(II) COMPONENTS.—The
6 amount determined under this sub-
7 clause with respect to any covered pri-
8 mary good which is an input of a fin-
9 ished good is an amount equal to the
10 product of—

11 “(aa) the amount (if any)
12 determined under clause (i)(I) if
13 such clause were applied with re-
14 spect to such good, multiplied by

15 “(bb) the total relevant
16 quantity of the covered primary
17 good, multiplied by

18 “(cc) the cost of pollution
19 (as determined under subsection
20 (c)).

21 “(B) CHARGE DUE.—The charge imposed
22 under this paragraph with respect to any goods
23 imported during any calendar year shall be paid
24 by the entity which imported such goods not

1 later than September 30 of the calendar year
2 subsequent to such year.

3 “(C) EXCLUSION.—

4 “(i) IN GENERAL.—Subject to clause
5 (ii), in the case of any covered primary
6 good (including any covered primary good
7 which is an input of a finished good) which
8 is imported into the United States and was
9 produced in a relatively least developed
10 country (as described in section 124 of the
11 Foreign Assistance Act of 1961 (22 U.S.C.
12 2151v)), this paragraph shall not apply.

13 “(ii) EXCEPTION.—Clause (i) shall
14 not apply if the country described in such
15 clause produces at least 3 percent of total
16 global exports by value of the covered pri-
17 mary good.

18 “(D) FOREIGN CARBON PRICES.—If the
19 Secretary (in coordination with the relevant
20 parties) determines that a foreign country has
21 implemented policies which impose explicit and
22 verifiable fees, costs, or penalties on the emis-
23 sion of greenhouse gases which—

1 “(i) are economically similar to the
2 charges imposed pursuant to the provisions
3 of this subchapter, and

4 “(ii) have not been rebated by such
5 foreign country,

6 the charge (or a portion of the charge which is
7 equivalent to the fees or costs imposed by the
8 foreign country) which would otherwise be im-
9 posed under this section with respect to covered
10 primary goods produced in such foreign country
11 may be waived.

12 “(2) DOMESTIC PRODUCTION OF COVERED PRI-
13 MARY GOODS.—

14 “(A) IN GENERAL.—In the case of any eli-
15 gible facility, for each calendar year beginning
16 after December 31, 2025, there is hereby im-
17 posed a charge in an amount (rounded to the
18 nearest dollar) equal to the product of—

19 “(i) the amount (if any) by which the
20 carbon intensity of such facility (as deter-
21 mined under section 4691(b)(1)(A)) ex-
22 ceeds an amount equal to the applicable
23 percentage of the baseline carbon intensity
24 for the covered national industry (as deter-
25 mined under section 4691(b)) which in-

1 cludes any covered primary good produced
 2 by such facility, multiplied by

3 “(ii) the total relevant quantity of any
 4 covered primary goods produced by such
 5 facility during such calendar year, multi-
 6 plied by

7 “(iii) the cost of pollution (as deter-
 8 mined under subsection (c)).

9 “(B) CHARGE DUE.—The charge imposed
 10 under this paragraph with respect to any cal-
 11 endar year shall be paid by the covered entity
 12 not later than September 30 of the calendar
 13 year subsequent to such year.

14 “(b) APPLICABLE PERCENTAGE.—For purposes of
 15 paragraphs (1)(A) and (2)(A) of subsection (a), the appli-
 16 cable percentage shall be—

17 “(1) for calendar year 2026, 100 percent,

18 “(2) for calendar years 2027 through 2030, the
 19 applicable percentage for the preceding calendar
 20 year, reduced by 2.5 percentage points,

21 “(3) for calendar years 2031 through 2047, the
 22 applicable percentage for the preceding calendar
 23 year, reduced by 5 percentage points, and

24 “(4) for any calendars years subsequent to cal-
 25 endar year 2047, 0 percent.

1 “(c) COST OF POLLUTION.—

2 “(1) IN GENERAL.—For purposes of para-
3 graphs (1)(A) and (2)(A) of subsection (a), the cost
4 of pollution shall be—

5 “(A) for calendar year 2026, \$60, and

6 “(B) for each calendar year subsequent to
7 the calendar year described in subparagraph
8 (A), an amount equal to the sum of—

9 “(i) the cost of pollution for the pre-
10 ceding year, plus

11 “(ii) an amount equal to—

12 “(I) the amount described in
13 clause (i), multiplied by

14 “(II) the percentage by which the
15 CPI for the preceding calendar year
16 exceeds the CPI for the second pre-
17 ceding calendar year, increased by 6
18 percentage points.

19 “(2) CPI.—Rules similar to the rules of para-
20 graphs (4) and (5) of section 1(f) shall apply for
21 purposes of this subsection.

22 “(3) ROUNDING.—Any applicable amount de-
23 termined under this subsection which is not a mul-
24 tiple of \$1 shall be rounded to the nearest dollar.

25 “(d) CARBON REMOVAL.—

1 “(1) IN GENERAL.—With respect to the amount
2 of any charges imposed under subsection (a) during
3 a calendar year, such amount shall be reduced by an
4 amount (rounded to the nearest dollar) equal to the
5 product of—

6 “(A) the total amount (as measured in
7 metric tons) of greenhouse gas emissions which
8 are captured directly from the ambient air dur-
9 ing such calendar year pursuant to the require-
10 ments under paragraphs (2) and (3), and

11 “(B) the cost of pollution (as determined
12 under subsection (c)).

13 “(2) REMOVAL REQUIREMENTS.—The require-
14 ments described under this paragraph with respect
15 to captured greenhouse gas emissions are that such
16 emissions are captured during the preceding cal-
17 endar year and—

18 “(A) disposed of in secure geological stor-
19 age (in compliance with the regulations estab-
20 lished under section 45Q(f)(2)), or

21 “(B) utilized in a manner (other than for
22 enhanced oil or gas recovery and in compliance
23 with the regulations established under section
24 45Q(f)(5)) whereby such emissions are not com-

1 busted or otherwise emitted into the atmos-
2 phere.

3 “(3) DIRECT AIR CAPTURE.—For purposes of
4 this subsection, with respect to any greenhouse gas
5 emissions which are captured directly from the ambi-
6 ent air, the operator of the facility which captured
7 such emissions may—

8 “(A) apportion such emissions removal
9 amongst any eligible facilities which are under
10 common control of such operator, or

11 “(B) enter into binding and exclusive
12 agreements (which meet such requirements as
13 determined necessary by the Secretary to en-
14 sure fair and accurate emissions accounting)
15 with—

16 “(i) any operator of an eligible facil-
17 ity, for the purpose of permitting such op-
18 erator to reduce the charge imposed under
19 subsection (a) with respect to any eligible
20 facilities which are under common control
21 of such operator, or

22 “(ii) any importer of covered primary
23 goods, for the purpose of permitting such
24 operator to reduce the charge imposed

1 under subsection (a) with respect to any of
2 their imported covered primary goods.

3 “(4) LIMITATION.—For purposes of this sub-
4 section, in the case of any covered primary good im-
5 ported or produced at an eligible facility, the amount
6 of any reduction of the charge imposed under sub-
7 section (a) with respect to such covered primary
8 good or production of such good shall not exceed the
9 lesser of—

10 “(A) the amount of the charge imposed
11 under such subsection, or

12 “(B) an amount equal to the product of—

13 “(i) the first quartile in terms of car-
14 bon intensity with respect to facilities oper-
15 ating in the United States which produce
16 covered primary goods which are included
17 within the same covered national industry,
18 as determined by the Secretary (in coordi-
19 nation with the relevant parties), multi-
20 plied by

21 “(ii) the relevant quantity of such cov-
22 ered primary good, multiplied by

23 “(iii) the cost of pollution (as deter-
24 mined under subsection (c)).

1 “(5) ENSURING INTEGRITY.—The Secretary, in
2 coordination with the Administrator and the Sec-
3 retary of Energy, shall issue such regulations as
4 may be necessary to prevent double-counting and to
5 ensure the additionality and permanence of captured
6 emissions.

7 “(e) REGULATIONS AND TRADE ACTIONS.—The Sec-
8 retary shall issue such regulations as may be necessary
9 to carry out this subchapter and shall work closely with
10 the relevant parties to pursue such trade actions as may
11 be necessary to maintain the integrity and efficacy of this
12 subchapter.

13 **“SEC. 4693. REBATE.**

14 “(a) EXPORTATION OF COVERED PRIMARY GOOD.—
15 Subject to subsections (c) and (d), in the case of a person
16 who exports any covered primary good from the United
17 States which was produced in an eligible facility for which
18 a charge has been imposed under section 4692, a refund
19 shall be allowed to such person in the same manner as
20 if it were an overpayment of the charge imposed by such
21 section in an amount equal to the charge that would be
22 imposed under subsection (a)(1)(A)(i) of such section with
23 respect to such good.

24 “(b) EXPORTATION OF FINISHED GOOD.—Subject to
25 subsection (c), in the case of a person who exports any

1 finished good from the United States for which a charge
2 has been imposed under section 4692 on such finished
3 good or any of its components, a refund shall be allowed
4 to such person in the same manner as if it were an over-
5 payment of the charge imposed by such section in an
6 amount equal to the charge that would otherwise be im-
7 posed under such section with respect to such finished
8 good (as determined pursuant to subsection (a)(1)(A)(ii)
9 of such section).

10 “(c) EXCEPTION FOR CERTAIN FOREIGN POLI-
11 CIES.—In the case of any exports from the United States
12 for which a charge has been imposed under section 4692,
13 if—

14 “(1) the covered primary good or finished good
15 is imported by a country with policies that impose
16 tariffs, fees, or penalties on the emission of green-
17 house gases associated with imports, and

18 “(2) the country described in paragraph (1)
19 would credit the charge imposed under section 4692
20 against such tariffs, fees, or penalties,
21 any portion of a rebate otherwise allowable under this sec-
22 tion shall not be allowed to the extent that it would reduce
23 the amount credited by such country against such tariffs,
24 fees, or penalties.

1 “(d) PREVENTING DOMESTIC RESOURCE SHUF-
 2 FLING.—For purposes of determining the amount of any
 3 refund pursuant to subsection (a), the carbon intensity
 4 with respect to the eligible facility shall be determined by
 5 applying section 4691(b)(1)(A) by substituting ‘all eligible
 6 facilities by the covered entity which produced the covered
 7 primary good described in section 4693(a)(1)’ for ‘such
 8 facility’ each place it appears in such section.

9 **“SEC. 4694. CARBON CLUBS.**

10 “(a) IN GENERAL.—To accelerate the pace of global
 11 decarbonization and expand markets for goods with lower
 12 carbon intensities, the President may, in coordination with
 13 the Secretary and the relevant parties—

14 “(1) enter into negotiations with 1 or more for-
 15 eign countries to establish or expand a carbon club
 16 agreement under this section,

17 “(2) perform any enforcement activities nec-
 18 essary to uphold the requirements under such agree-
 19 ment, and

20 “(3) remove any foreign country from a carbon
 21 club agreement if such country is determined to have
 22 failed to comply with the requirements described in
 23 subsection (b) or any additional requirements estab-
 24 lished under such agreement.

1 “(b) REQUIREMENTS.—Any foreign country which
2 has entered into a carbon club agreement under this sec-
3 tion shall be subject to the following requirements:

4 “(1) Ensure its methodologies for the measure-
5 ment, reporting, and verification of the carbon inten-
6 sity of covered national industries match, or are
7 interoperable with, those used to determine the car-
8 bon intensity of covered national industries in the
9 United States.

10 “(2) Permit any other country which is a party
11 to such agreement to regularly validate the measure-
12 ment, reporting, and verification of the carbon inten-
13 sity of their covered national industries.

14 “(3) Ensure, in law and in practice, that all
15 workers in the territory of the country are guaran-
16 teed the following internationally recognized rights
17 and freedoms, including those guaranteed in the
18 Declaration on Fundamental Principles and Rights
19 at Work of the International Labour Organization
20 and its Follow-up:

21 “(A) Freedom of association and the effec-
22 tive recognition of the right to collective bar-
23 gaining.

24 “(B) Elimination of all forms of forced or
25 compulsory labor.

1 “(C) Effective abolition of child labor, a
2 prohibition on the worst forms of child labor,
3 and other labor protections for children and mi-
4 nors.

5 “(D) Elimination of discrimination in re-
6 spect of employment and occupation.

7 “(E) Acceptable conditions of work with
8 respect to minimum wages, hours of work, and
9 occupational safety and health.

10 “(4) Create or maintain, as well as implement
11 and verifiably enforce—

12 “(A) domestic policies (including any in-
13 vestments made possible by assistance provided
14 under section 2(d) of the Clean Competition
15 Act) which reduce the carbon intensity of its
16 covered national industries in a magnitude
17 greater than that which would feasibly be in-
18 duced as a result of—

19 “(i) the charges imposed under sec-
20 tion 4692(a)(1), or

21 “(ii) similar fees on the emissions of
22 greenhouse gases associated with the pro-
23 duction of imports levied by other coun-
24 tries which are parties to such agreement,

1 “(B) trade policies, such as the charge im-
2 posed under section 4692(a)(1), which give
3 preference to goods with lower carbon inten-
4 sities,

5 “(C) domestic policies which reduce pollut-
6 ants other than greenhouse gases, and

7 “(D) policies that prevent such country
8 from facilitating transshipment from other
9 countries.

10 “(c) PRIORITIZATION.—In negotiations with respect
11 to any carbon club agreement under this section, the
12 President shall seek to reach an agreement with foreign
13 countries which prioritizes the following goals in the fol-
14 lowing order of importance:

15 “(1) Reduction of global greenhouse gas emis-
16 sions.

17 “(2) Securing access for the United States to
18 materials and inputs necessary to manufacture prod-
19 ucts with lower carbon intensity, particularly those
20 that are not feasibly produced domestically.

21 “(3) Strengthening the global market competi-
22 tiveness of lower carbon intensity goods.

23 “(4) Advancing the national security and diplo-
24 matic interests of the United States.

1 “(d) BENEFITS.—With respect to any country which
2 has entered into a carbon club agreement under this sec-
3 tion, if such country—

4 “(1) is not contributing to global industrial
5 overcapacity (as determined by the United States
6 Trade Representative, in coordination with other rel-
7 evant parties), the charge which would otherwise be
8 imposed under section 4692(a)(1) with respect to
9 covered primary goods produced in a foreign coun-
10 try, as well as any similar fees on the emissions of
11 greenhouse gases associated with the production of
12 imports levied by other countries which are parties
13 to such agreement, may be waived, provided that
14 such country establishes or maintains policies that
15 reduce the emission of greenhouse gases from its
16 covered national industries with commensurate effect
17 as the carbon intensity charges imposed under sec-
18 tion 4692(a)(2), and

19 “(2) has a low-income economy, lower-middle-
20 income economy, or upper-middle-income economy
21 (as determined based on classification of the econ-
22 omy of such country by the World Bank), such
23 country shall receive preference for assistance pro-
24 vided under section 2(d) of the Clean Competition
25 Act.

1 “(e) PHASE-IN.—

2 “(1) IN GENERAL.—Subject to paragraph (2),
3 for purposes of any carbon club agreement under
4 this section, a country may limit application of such
5 agreement to certain covered national industries, in
6 which case any requirements or benefits provided
7 pursuant to such agreement shall be limited to such
8 industries and any covered products produced by
9 such industries.

10 “(2) LIMITATION.—Not later than 10 years
11 after the date on which any country enters into a
12 carbon club agreement under this section, all covered
13 national industries of such country shall be subject
14 to the requirements of such agreement.

15 **“SEC. 4695. DEFINITIONS.**

16 “For purposes of this subchapter—

17 “(1) ADMINISTRATOR.—The term ‘Adminis-
18 trator’ means the Administrator of the Environ-
19 mental Protection Agency.

20 “(2) BASELINE CARBON INTENSITY.—The term
21 ‘baseline carbon intensity’ means, with respect to a
22 covered national industry, the carbon intensity of the
23 covered national industry in the United States for
24 calendar year 2025.

25 “(3) CO₂-E.—

1 “(A) IN GENERAL.—Subject to subpara-
2 graph (B), the term ‘CO2-e’ means, with re-
3 spect to a greenhouse gas, the quantity of such
4 gas that has a global warming potential equiva-
5 lent to 1 metric ton of carbon dioxide, as deter-
6 mined pursuant to table A-1 of subpart A of
7 part 98 of title 40, Code of Federal Regula-
8 tions, as in effect on the date of the enactment
9 of this subchapter.

10 “(B) METHANE.—In the case of methane,
11 the term ‘CO2-e’ means the quantity of meth-
12 ane that has the same global warming potential
13 over a 20-year period as 1 metric ton of carbon
14 dioxide, as determined by the Administrator in
15 accordance with the findings of the most recent
16 Assessment Report of the Intergovernmental
17 Panel on Climate Change as of the date of en-
18 actment of this subchapter.

19 “(4) COVERED ENTITY.—The term ‘covered en-
20 tity’ means any entity which—

21 “(A) produces any covered primary good,
22 and

23 “(B) is required to report emissions of
24 greenhouse gases under the Greenhouse Gas
25 Reporting Program (or would be required to re-

port such emissions notwithstanding any other provision of law prohibiting the implementation of or use of funds for such requirements).

“(5) COVERED NATIONAL INDUSTRY.—

“(A) IN GENERAL.—Except as provided under section 4691(b)(1)(B)(ii), the term ‘covered national industry’ means any industry which is assigned a 6-digit NAICS code which is included in any of the following clauses:

“(i) 211120 (petroleum extraction).

“(ii) 211130 (natural gas extraction).

“(iii) 212114 or 212115 (coal mining).

“(iv) 322110 (pulp mills).

“(v) 322120 (paper mills).

“(vi) 322130 (paperboard mills).

“(vii) 324110 (petroleum refineries).

“(viii) 324121 (asphalt paving mixture and block manufacturing).

“(ix) 324122 (asphalt shingle and coating materials manufacturing).

“(x) 324199 (all other petroleum and coal products manufacturing).

“(xi) 325110 (petrochemical manufacturing).

1 “(xii) 325120 (industrial gas manu-
2 facturing).

3 “(xiii) 325193 (ethyl alcohol manufac-
4 turing).

5 “(xiv) 325199 (other basic organic
6 chemical manufacturing).

7 “(xv) 325311 (nitrogenous fertilizer
8 manufacturing).

9 “(xvi) 327211, 327212, 327213, or
10 327215 (glass).

11 “(xvii) 327310 (cement).

12 “(xviii) 327410 or 327420 (lime and
13 gypsum product manufacturing).

14 “(xix) 331110 (iron and steel).

15 “(xx) 331313 or 331314 (aluminum).

16 “(B) EXCEPTIONS.—

17 “(i) INDUSTRIAL GAS MANUFAC-
18 TURING.—Subparagraph (A)(xii) shall
19 apply only with respect to the production
20 of hydrogen.

21 “(ii) OTHER BASIC ORGANIC CHEM-
22 ICAL MANUFACTURING.—Subparagraph
23 (A)(xiv) shall apply only with respect to
24 the production of adipic acid.

1 “(6) COUNTRY OF ORIGIN.—The term ‘country
2 of origin’ means, with respect to a covered primary
3 good, the country where an energy-intensive or emis-
4 sions-intensive process occurred that transformed
5 the inputs of the good into the covered primary
6 good.

7 “(7) COVERED PRIMARY GOOD.—The term ‘cov-
8 ered primary good’ means any good which is pro-
9 duced as part of a trade or business operating with-
10 in a covered national industry—

11 “(A) including (except as otherwise pro-
12 vided under subparagraphs (B)(ii) and (C) of
13 section 4691(b)(1)) any good classifiable under
14 the same 6-digit subheading of the Harmonized
15 Tariff Schedule of the United States, and

16 “(B) excluding any waste or scrap byprod-
17 ucts which are not sold.

18 “(8) ELIGIBLE FACILITY.—The term ‘eligible
19 facility’ means any facility (as such term is defined
20 for purposes of the Greenhouse Gas Reporting Pro-
21 gram) which is—

22 “(A) operated by a covered entity for the
23 production of any covered primary good, and

24 “(B) located within the United States.

25 “(9) FINISHED GOOD.—

1 “(A) IN GENERAL.—The term ‘finished
2 good’ means any good (as determined pursuant
3 to a 6-digit subheading of the Harmonized Tar-
4 iff Schedule of the United States) which is not
5 a covered primary good and which, as deter-
6 mined by the Secretary—

7 “(i) for calendar years 2028 and
8 2029—

9 “(I) typically contains greater
10 than 1,000 pounds of any combination
11 of any covered primary goods, or

12 “(II) is typically produced from
13 inputs of any combination of covered
14 primary goods, the combined value of
15 which comprise more than 90 percent
16 of the total value of the material in-
17 puts involved in the production of
18 such good,

19 “(ii) for calendar years 2030 and
20 2031—

21 “(I) typically contains greater
22 than 500 pounds of any combination
23 of any covered primary goods, or

24 “(II) is typically produced from
25 inputs of any combination of covered

1 primary goods, the value of which
2 comprise more than 75 percent of the
3 total value of the material inputs in-
4 volved in the production of such good,
5 and

6 “(iii) for any calendar year after cal-
7 endar year 2031—

8 “(I) typically contains greater
9 than such amount as is determined by
10 the Secretary (as determined in co-
11 ordination with the relevant parties,
12 and which shall not be greater than
13 500 pounds) of any combination of
14 any covered primary goods, or

15 “(II) is typically produced from
16 inputs of any combination of covered
17 primary goods, the value of which
18 comprise more than such percentage
19 as is determined by the Secretary (as
20 determined in coordination with the
21 relevant parties, and which shall not
22 be greater than 75 percent) of the
23 total value of the material inputs in-
24 volved in the production of such good.

1 “(B) EXCEPTION.—The term ‘finished
2 good’ shall not include any waste or scrap prod-
3 uct which is imported or exported.

4 “(10) GREENHOUSE GAS.—The term ‘green-
5 house gas’ has the meaning given such term under
6 section 211(o)(1)(G) of the Clean Air Act, as in ef-
7 fect on the date of the enactment of this subchapter.

8 “(11) GREENHOUSE GAS EMISSIONS.—The
9 term ‘greenhouse gas emissions’ means the amount
10 of greenhouse gases, expressed in metric tons of
11 CO₂-e, which were emitted to the atmosphere.

12 “(12) GREENHOUSE GAS REPORTING PRO-
13 GRAM.—The term ‘Greenhouse Gas Reporting Pro-
14 gram’ means the Greenhouse Gas Reporting Pro-
15 gram established under part 98 of title 40, Code of
16 Federal Regulations, as in effect on January 1,
17 2025.

18 “(13) MARKET ECONOMY.—The term ‘market
19 economy’ means any country which is not designated
20 as a nonmarket economy country pursuant to section
21 771(18) of the Tariff Act of 1930 (19 U.S.C.
22 1677(18)).

23 “(14) NAICS.—The term ‘NAICS’ means the
24 North American Industrial Classification System.

1 “(15) REGIONAL GRID.—The term ‘regional
2 grid’ means the smallest defined region of inter-
3 connected power grid (including power generation
4 assets) from which a facility draws power that ac-
5 counts for the total power supplied to the facility by
6 the grid and for which there is reliable data.

7 “(16) RELEVANT PARTIES.—The term ‘relevant
8 parties’ means—

9 “(A) the Administrator,

10 “(B) the Secretary of Energy,

11 “(C) the Secretary of Commerce,

12 “(D) the Secretary of Homeland Security,

13 “(E) the United States Trade Representa-
14 tive, and

15 “(F) the Chair and Vice Chair of the
16 United States International Trade Commis-
17 sion.”.

18 (b) CLERICAL AMENDMENT.—The table of sub-
19 chapters for chapter 38 of the Internal Revenue Code of
20 1986 is amended by adding at the end thereof the fol-
21 lowing new item:

 “SUBCHAPTER E—CARBON INTENSITY CHARGE”.

22 (c) INVESTING IN INDUSTRIAL COMPETITIVENESS.—

23 (1) DEFINITIONS.—In this subsection:

1 (A) ADMINISTRATOR.—The term “Admin-
2 istrator” means the Administrator of the Envi-
3 ronmental Protection Agency.

4 (B) ADVANCED INDUSTRIAL TECH-
5 NOLOGY.—The term “advanced industrial tech-
6 nology” means a technology that—

7 (i) is directly involved in an industrial
8 process described in paragraphs (1)
9 through (6) of section 454(c) of the En-
10 ergy Independence and Security Act of
11 2007 (42 U.S.C. 17113(c)); and

12 (ii) is designed to accelerate green-
13 house gas emissions reduction progress to
14 net-zero at an eligible facility, as deter-
15 mined by the Secretary.

16 (C) AMBITION LEVEL.—The term “ambi-
17 tion level” means the level of reduction in car-
18 bon intensity described in each of subclauses (I)
19 through (III) of paragraph (3)(C)(iv).

20 (D) APPLICABLE FAIR MARKET VALUE.—
21 The term “applicable fair market value”, with
22 respect to an eligible good, means the average
23 market dollar value of 1 unit of the relevant
24 quantity of that eligible good, as determined by

1 the Secretary using publicly available market
2 prices and other market data.

3 (E) BASELINE CARBON INTENSITY.—The
4 term “baseline carbon intensity” has the mean-
5 ing given the term in section 4695 of the Inter-
6 nal Revenue Code of 1986 (as added by sub-
7 section (a)).

8 (F) BENCHMARK CARBON INTENSITY.—
9 The term “benchmark carbon intensity”, with
10 respect to a covered primary good or eligible
11 good, means the carbon intensity of the covered
12 national industry in the United States for that
13 covered primary good or eligible good for the
14 preceding calendar year.

15 (G) BEST-IN-CLASS CARBON INTENSITY.—
16 The term “best-in-class carbon intensity”, with
17 respect to any proposed eligible facility, means
18 that the carbon intensity of such facility would
19 be not greater than the carbon intensity of the
20 existing facility with the lowest carbon intensity
21 within the relevant covered national industry, as
22 determined as of the date of the application for
23 a grant under the program.

24 (H) CARBON INTENSITY.—The term “car-
25 bon intensity” has the meaning given the term

1 under section 4691(b)(1) of the Internal Rev-
2 enue Code of 1986 (as added by subsection
3 (a)).

4 (I) COVERED PRIMARY GOOD.—The term
5 “covered primary good” has the meaning given
6 the term in section 4695 of the Internal Rev-
7 enue Code of 1986 (as added by subsection
8 (a)).

9 (J) COVERED PROGRAM.—The term “cov-
10 ered program” means each of the programs es-
11 tablished under paragraphs (2)(A) and (3)(A).

12 (K) COVERED NATIONAL INDUSTRY.—The
13 term “covered national industry” has the mean-
14 ing given the term in section 4695 of the Inter-
15 nal Revenue Code of 1986 (as added by sub-
16 section (a)).

17 (L) ELIGIBLE ENTITY.—The term “eligible
18 entity” means any person that operates an eli-
19 gible facility or will operate a proposed eligible
20 facility.

21 (M) ELIGIBLE FACILITY.—The term “eligi-
22 ble facility” has the meaning given the term in
23 section 4695 of the Internal Revenue Code of
24 1986 (as added by subsection (a)).

1 (N) ELIGIBLE GOOD.—The term “eligible
2 good” means a covered primary good deter-
3 mined eligible for a contract for difference by
4 the Secretary under paragraph (3)(B).

5 (O) ELIGIBLE GOODS CLASS.—The term
6 “eligible goods class” means an eligible goods
7 class as described in paragraph (3)(C)(iii).

8 (P) PRICE DISCOVERY.—The term “price
9 discovery” means a process of determining the
10 true and accurate price of producing 1 unit of
11 the relevant quantity of an eligible good using
12 a unique production process.

13 (Q) RELEVANT QUANTITY.—The term
14 “relevant quantity” has the meaning given the
15 term under section 4691(b)(1)(E) of the Inter-
16 nal Revenue Code of 1986 (as added by sub-
17 section (a)).

18 (R) SECRETARY.—The term “Secretary”
19 means the Secretary of Energy (or a designee).

20 (S) STRIKE PRICE.—The term “strike
21 price” means the dollar value of 1 unit of the
22 relevant quantity of an eligible good.

23 (2) INVESTMENTS IN ADVANCED INDUSTRIAL
24 TECHNOLOGY.—

1 (A) ESTABLISHMENT.—The Secretary
2 shall establish a competitive program (referred
3 to in this paragraph as the “program”) to
4 award to eligible entities grants, rebates, or
5 low-interest loans, as determined appropriate by
6 the Secretary, to support investments in ad-
7 vanced industrial technology, including in dedi-
8 cated power generation and storage—

9 (i) in the case of an existing eligible
10 facility, to reduce the carbon intensity of
11 the existing eligible facility by at least 20
12 percent;

13 (ii) in the case of a proposed eligible
14 facility, to ensure at least best-in-class car-
15 bon intensity of that proposed eligible facil-
16 ity, with a goal of achieving net-zero car-
17 bon intensity; and

18 (iii) in the case of existing and pro-
19 posed eligible facilities—

20 (I) to increase the technological
21 and economic competitiveness of cov-
22 ered national industries in the United
23 States;

1 (II) to increase the viability and
2 competitiveness of United States in-
3 dustrial exports; and

4 (III) to achieve emissions reduc-
5 tion in covered national industries.

6 (B) APPLICATION PROCESS.—The Sec-
7 retary shall develop an application process for
8 the program similar to the application process
9 for the national grant program of the Adminis-
10 trator under subtitle G of title VII of the En-
11 ergy Policy Act of 2005 (42 U.S.C. 16131 et
12 seq.).

13 (C) PREFERENCE.—In awarding funding
14 under the program, the Secretary shall give
15 preference to eligible entities—

16 (i) for projects that would—

17 (I) result in the greatest decrease
18 in carbon intensity;

19 (II) support the demonstration
20 and catalyze the deployment of first-
21 of-a-kind technologies and processes;

22 (III) provide the greatest benefit
23 for the greatest number of people
24 within the area in which the eligible
25 facility is located;

1 (IV) advance United States glob-
2 al strategic interests;

3 (V) provide the greatest potential
4 for direct and indirect domestic job
5 creation; and

6 (VI) maximize improvement in
7 local air quality; and

8 (ii) for facilities located in—

9 (I) economically distressed com-
10 munities that have experienced a loss
11 of manufacturing jobs; and

12 (II) communities with high cu-
13 mulative pollution burdens, as deter-
14 mined by the Administrator.

15 (D) COST SHARE.—The Secretary shall re-
16 quire an eligible entity to provide not less than
17 50 percent of the cost of a project carried out
18 pursuant to the program.

19 (E) RECAPTURE OF FUNDS.—The Sec-
20 retary shall recapture, pursuant to such regula-
21 tions or other guidance issued by the Secretary,
22 the funding awarded to an eligible entity if the
23 eligible entity fails—

24 (i) within 3 years of the award of
25 funding, to complete the proposed invest-

ments or achieve an interim progress milestone agreed to with the Secretary; or

(ii) during the 10-year period after the proposed investments are placed in service—

(I) in the case of an existing eligible facility, to achieve and maintain the reduction in carbon intensity proposed in the application; or

(II) in the case of a proposed eligible facility, to achieve and maintain the best-in-class carbon intensity proposed in the application.

(F) OUTREACH.—The Secretary shall conduct outreach—

(i) to notify the public about the program; and

(ii) to inform eligible entities of technologies that can reduce facility carbon intensity or ensure best-in-class carbon intensity.

(3) CONTRACTS FOR DIFFERENCE.—

(A) ESTABLISHMENT.—The Secretary shall establish a program (referred to in this paragraph as the “program”) to enter into con-

1 tracts for difference (referred to in this para-
2 graph as “covered contracts”), on a competitive
3 basis, with eligible entities for payment of costs
4 associated with the production of eligible goods
5 manufactured by those eligible entities—

6 (i) to accelerate the deployment of
7 commercially available advanced industrial
8 technology;

9 (ii) to demonstrate and advance the
10 commercialization of first-of-a-kind ad-
11 vanced industrial technology;

12 (iii) to increase the technological and
13 economic competitiveness of covered na-
14 tional industries in the United States;

15 (iv) to increase the viability and com-
16 petitiveness of United States advanced in-
17 dustrial technology exports; and

18 (v) to reduce the carbon intensity of
19 covered national industries in the United
20 States.

21 (B) ELIGIBLE GOODS.—

22 (i) IN GENERAL.—The Secretary shall
23 determine which covered primary goods are
24 eligible for covered contracts under the
25 program.

1 (ii) PRIORITY.—In making determina-
2 tions under clause (i), the Secretary shall
3 give priority to covered primary goods—

4 (I) that contribute a greater pro-
5 portion of total covered emissions rel-
6 ative to other covered primary goods
7 in the same covered national industry;

8 (II) the market conditions for
9 which are conducive to fair and com-
10 petitive auctions;

11 (III) that have transparent and
12 accurate price indices;

13 (IV) that face large marginal
14 costs of decarbonization that cannot
15 feasibly be equalized by the carbon in-
16 tensity charge levied under section
17 4692 of the Internal Revenue Code of
18 1982 (as added by subsection (a));

19 (V) that provide the greatest po-
20 tential for direct and indirect domestic
21 job creation;

22 (VI) that are feasibly expected to
23 continue to have robust market de-
24 mand for the duration of the applica-
25 ble covered contract; and

1 (VII) that have the greatest abil-
2 ity to reduce hazardous local air qual-
3 ity if awarded a covered contract.

4 (C) AUCTIONS.—

5 (i) IN GENERAL.—To award covered
6 contracts under the program, the Secretary
7 shall hold competitive auctions for each eli-
8 gible goods class.

9 (ii) APPLICATION.—To participate in
10 an auction under clause (i), an eligible en-
11 tity shall submit to the Secretary an appli-
12 cation that includes—

13 (I) a description of the eligible
14 goods covered under the proposed cov-
15 ered contract;

16 (II) information on any existing
17 or proposed facilities that will produce
18 the eligible goods covered under the
19 proposed covered contract, including
20 location, employment numbers, and
21 any planned or ongoing investments in
22 or retrofits of the facilities;

23 (III) a description of the method
24 of production, including technologies
25 and feedstocks, that will be used to

1 manufacture the eligible goods covered
2 under the proposed covered contract;

3 (IV) the details of any invest-
4 ments or retrofits required to produce
5 the eligible goods covered under the
6 proposed covered contract, including
7 the construction of new facilities;

8 (V) the expected carbon intensity
9 of the eligible goods covered under the
10 proposed covered contract for each
11 year of the duration of the proposed
12 covered contract;

13 (VI) the proposed strike price of
14 the eligible goods covered under the
15 proposed covered contract;

16 (VII) the expected annual pro-
17 duction volume (expressed in the rel-
18 evant quantity) of the eligible goods
19 covered under the proposed covered
20 contract for each year of the proposed
21 covered contract; and

22 (VIII) any other information de-
23 termined necessary by the Secretary.

24 (iii) ELIGIBLE GOODS CLASS.—

1 (I) IN GENERAL.—For each auc-
2 tion under clause (i), the Secretary
3 shall assign each eligible good to an
4 eligible goods class, which may com-
5 prise a single eligible good or multiple
6 eligible goods.

7 (II) CLASS OF MULTIPLE ELIGI-
8 BLE GOODS.—In determining the eli-
9 gible goods that shall be grouped into
10 a single eligible goods class for pur-
11 poses of an auction under clause (i),
12 the Secretary shall—

13 (aa) only group eligible
14 goods that can reasonably com-
15 pete with each other for market
16 share in the economy and on the
17 basis of carbon intensity in the
18 auction; and

19 (bb) prioritize the creation
20 of eligible goods classes that are
21 conducive to fair and competitive
22 auctions.

23 (III) BENCHMARK CARBON IN-
24 TENSITY.—The benchmark carbon in-
25 tensity for an eligible goods class with

1 eligible goods from multiple covered
2 national industries shall be the mean
3 benchmark carbon intensity of those
4 covered national industries (after con-
5 verting to the same relevant quantity,
6 if necessary).

7 (iv) AMBITION LEVEL.—If the Sec-
8 retary determines that there are conditions
9 to support sufficient auction competitive-
10 ness, the Secretary may hold separate auc-
11 tions within an eligible goods class for
12 projects that yield each of the following
13 percentages of reduction in carbon inten-
14 sity:

15 (I) A reduction in carbon inten-
16 sity from benchmark carbon intensity
17 of not less than 20 percent but not
18 more than 50 percent.

19 (II) A reduction in carbon inten-
20 sity from benchmark carbon intensity
21 of not less than 50 percent but not
22 more than 80 percent.

23 (III) A reduction in carbon inten-
24 sity from benchmark carbon intensity
25 of more than 80 percent.

1 (v) SELECTION.—The Secretary shall
2 determine the winners of each auction
3 under clause (i) by selecting projects in
4 rank order from the lowest to the highest
5 value of the quotient obtained by divid-
6 ing—

7 (I) the expected per-unit payment
8 amount described in subparagraph
9 (F)(ii)(II), which shall be determined
10 by the Secretary using the proposed
11 strike price of the eligible entity and
12 the fair market value at the time of
13 auction; by

14 (II) an amount equal to the dif-
15 ference between—

16 (aa) the benchmark carbon
17 intensity; and

18 (bb) the carbon intensity of
19 the eligible good under the pro-
20 posed covered contract.

21 (vi) ADMINISTRATION.—

22 (I) IN GENERAL.—The Secretary
23 shall design and manage competitive
24 auctions under clause (i) to maximize
25 fairness, competitiveness, accurate

1 price discovery, and the most efficient
2 utilization of public funds to achieve
3 reductions in carbon intensity and the
4 other goals of the program.

5 (II) AUCTION BUDGET.—The
6 Secretary shall establish a budget for
7 each auction held under the program.

8 (D) REQUIREMENTS.—

9 (i) CARBON INTENSITY REDUCTION.—
10 Each covered contract awarded under the
11 program shall be required to achieve at
12 least a 20 percent reduction in carbon in-
13 tensity as compared to the benchmark car-
14 bon intensity on the date of commence-
15 ment of the contract.

16 (ii) LABOR.—An eligible entity award-
17 ed a covered contract under the program
18 shall be required—

19 (I) to pay prevailing wages for
20 any work performed, including for the
21 execution of any investments or retro-
22 fits necessary to produce the applica-
23 ble eligible goods; and

24 (II) to establish a community
25 benefits agreement in conjunction

1 with the production of the applicable
2 eligible goods, including the execution
3 of any investments or retrofits nec-
4 essary to produce those eligible goods.

5 (E) CONTRACT TERMS.—Each covered
6 contract under the program shall include the
7 following:

8 (i) A description of the project under
9 the covered contract, including—

10 (I) details on the eligible goods,
11 including relevant distinguishing
12 qualities and properties and the meth-
13 odology of producing those eligible
14 goods;

15 (II) the execution of any invest-
16 ments or retrofits necessary to
17 produce those eligible goods; and

18 (III) performance requirements
19 for the project and procedures and
20 penalties if those requirements are not
21 met.

22 (ii) The maximum payment amount
23 determined pursuant to subparagraph
24 (F)(iv).

1 (iii) The expected carbon intensity of
2 each eligible good covered under the cov-
3 ered contract, estimated for each year of
4 the duration of the covered contract.

5 (iv) The strike price for each eligible
6 good under the covered contract, including
7 any procedures for adjusting the strike
8 price over time, pursuant to subparagraph
9 (F)(iii).

10 (v) The methods and data sources to
11 be used for calculating covered emissions
12 and the applicable fair market value of eli-
13 gible goods, as established by the Sec-
14 retary.

15 (vi) Details of the community benefits
16 agreement established pursuant to sub-
17 paragraph (D)(ii)(II).

18 (vii) The duration of the covered con-
19 tract, subject to any early termination
20 rules established by the Secretary.

21 (viii) Any other terms determined nec-
22 essary by the Secretary.

23 (F) PAYMENTS.—

24 (i) IN GENERAL.—Under each covered
25 contract entered into under the program,

1 the Secretary shall make at least 1 pay-
2 ment annually.

3 (ii) AMOUNT.—The amount of a pay-
4 ment under clause (i), with respect to an
5 eligible good produced by an eligible entity
6 over a designated period of time, as deter-
7 mined by the Secretary, shall equal the
8 product obtained by multiplying—

9 (I) the quantity of the eligible
10 good (expressed in the relevant quan-
11 tity) produced by the eligible entity
12 during the designated period of time;
13 and

14 (II) the per-unit payment
15 amount, which shall be the difference
16 between—

17 (aa) the strike price; and

18 (bb) the average applicable
19 fair market value of the same eli-
20 gible good during the designated
21 period of time, as determined by
22 the Secretary.

23 (iii) DYNAMIC INDEXING.—The Sec-
24 retary shall adjust the strike price estab-

lished in each covered contract over time to
account for—

(I) inflation; and

(II) changes in the cost of key inputs to the production of the eligible good, as determined by the Secretary, including, at a minimum—

(aa) natural gas;

(bb) hydrogen; and

(cc) electricity.

(iv) MAXIMUM PAYMENT AMOUNT.—

For each covered contract under the program, the Secretary shall establish a maximum amount that may be paid under that covered contract, which amount—

(I) takes into consideration expected levels of—

(aa) the quantity of eligible goods covered under the covered contract (expressed in the relevant quantity) produced over the duration of the covered contract; and

1 (bb) the per-unit payment
2 amount described in clause

3 (ii)(II);

4 (II) maximizes the deployment of
5 available appropriations and the
6 achievement of the goals of the pro-
7 gram; and

8 (III) ensures that obligated ex-
9 penditures do not exceed available ap-
10 propriations.

11 (G) PENALTIES.—The Secretary may im-
12 pose financial and other penalties on any eligi-
13 ble entity that fails to meet the performance re-
14 quirements established by the Secretary for the
15 covered contract of that eligible entity.

16 (H) PUBLIC NOTICE.—Not later than 180
17 days before each auction is held under the pro-
18 gram, the Secretary shall publish guidance on
19 the auction process, including—

20 (i) the timeline and selection process;

21 (ii) a list of eligible goods, eligible
22 goods classes, and ambition levels, if appli-
23 cable;

1 (iii) the auction budget for each eligi-
2 ble goods class and ambition level, if appli-
3 cable;

4 (iv) the benchmark carbon intensity
5 for each eligible goods class;

6 (v) the applicable fair market value
7 for each eligible goods class, measured as
8 the average applicable fair market value
9 over the preceding 12 months; and

10 (vi) any additional information needed
11 to facilitate a fair and competitive auction,
12 as determined by the Secretary.

13 (I) RULEMAKING.—

14 (i) IN GENERAL.—The Secretary
15 shall—

16 (I) not later than 1 year after the
17 date of enactment of this Act, promul-
18 gate rules for the implementation of
19 the program; and

20 (II) update those rules at least
21 once every 5 years thereafter.

22 (ii) EFFECT ON CONTRACTS.—Any
23 update made under clause (i)(II) shall not
24 apply to covered contracts under the pro-

1 gram in effect before the date of effective-
2 ness of the update.

3 (4) EMISSIONS REDUCTION GOAL.—In awarding
4 funding under the covered programs, the Secretary
5 shall seek to keep the aggregate carbon intensity of
6 each covered national industry in the United States
7 below the value of the applicable percentage of the
8 baseline carbon intensity for that covered national
9 industry.

10 (5) ALLOCATION OF FUNDING.—In awarding
11 funding under the covered programs, the Secretary
12 shall, to the maximum extent practicable, allocate
13 funds to eligible entities that produce covered pri-
14 mary goods that are included within a covered na-
15 tional industry in approximate proportion to the
16 share of total greenhouse gas emissions that the cov-
17 ered national industry is responsible for emitting.

18 (6) OFFICES.—The Secretary may establish 1
19 or more offices within the Department of Energy to
20 administer the covered programs.

21 (7) EVALUATION AND REPORT.—Not later than
22 January 1, 2032, the Secretary shall submit to Con-
23 gress a report evaluating the efficacy of the covered
24 programs.

25 (8) APPROPRIATIONS.—

1 (A) IN GENERAL.—For fiscal year 2027
2 and each subsequent fiscal year, in addition to
3 amounts otherwise available, there are appro-
4 priated, out of any funds in the Treasury not
5 otherwise appropriated, to the Secretary to
6 carry out this subsection an amount equal to
7 the amount determined under subparagraph
8 (B) with respect to such fiscal year.

9 (B) APPROPRIATION.—

10 (i) FISCAL YEAR 2027.—For fiscal
11 year 2027, the amount appropriated for
12 purposes of paragraph (2) shall be
13 \$75,000,000,000.

14 (ii) SUBSEQUENT FISCAL YEARS.—
15 For fiscal year 2028 and each subsequent
16 fiscal year, the amount appropriated for
17 purposes of paragraph (2) shall be equal to
18 the applicable amount (as determined
19 under subparagraph (C)) for the preceding
20 fiscal year.

21 (C) APPLICABLE AMOUNT.—For purposes
22 of this paragraph, the term “applicable
23 amount” means—

24 (i) for any fiscal year beginning prior
25 to the date on which the Secretary of the

1 Treasury determines the total increase in
2 revenues to the Treasury by reason of the
3 application of subchapter E of chapter 38
4 of the Internal Revenue Code of 1986 (as
5 added by subsection (a)) is equal to or
6 greater than \$100,000,000,000, \$0; or

7 (ii) with respect to any fiscal year be-
8 ginning after the date described in clause
9 (i), an amount equal to 25 percent of the
10 increase in revenues to the Treasury dur-
11 ing such fiscal year by reason of the appli-
12 cation of subchapter E of chapter 38 of
13 the Internal Revenue Code of 1986 (as
14 added by subsection (a)).

15 (d) ECONOMIC SUPPORT FUND OF DEPARTMENT OF
16 STATE.—

17 (1) IN GENERAL.—For fiscal year 2027 and
18 each subsequent fiscal year, in addition to amounts
19 otherwise available, there are appropriated, out of
20 any funds in the Treasury not otherwise appro-
21 priated, to the Department of State an amount
22 equal to the amount determined under paragraph
23 (2) with respect to such fiscal year, with such
24 amount to be made available for bilateral and multi-

1 lateral assistance to support climate and clean en-
2 ergy programs.

3 (2) PREFERENCE.—In providing assistance
4 under paragraph (1), the Secretary of State (in con-
5 junction with the Secretary of the Treasury, the Sec-
6 retary of Energy, and the Administrator of the En-
7 vironmental Protection Agency) shall allocate such
8 assistance in a manner which prioritizes the fol-
9 lowing goals in the following order of importance:

10 (A) Facilitating the negotiation of carbon
11 club agreements pursuant to section 4694 of
12 the Internal Revenue Code of 1986 (as added
13 by subsection (a)).

14 (B) Providing assistance to countries de-
15 scribed in section 4694(d)(2) of such Code.

16 (C) Maximizing the reduction of global
17 greenhouse gas emissions.

18 (D) Securing access for the United States
19 to materials and inputs necessary to manufac-
20 ture products with lower carbon intensity, par-
21 ticularly those that are not feasibly produced
22 domestically.

23 (E) Supporting human development and
24 reductions in poverty.

1 (F) Advancing the national security and
2 diplomatic interests of the United States.

3 (3) APPROPRIATION.—

4 (A) FISCAL YEAR 2027.—For fiscal year
5 2027, the amount appropriated for purposes of
6 paragraph (1) shall be \$25,000,000,000.

7 (B) SUBSEQUENT FISCAL YEARS.—For fis-
8 cal year 2028 and each subsequent fiscal year,
9 the amount appropriated for purposes of para-
10 graph (1) shall be equal to the applicable
11 amount (as determined under paragraph (4))
12 for the preceding fiscal year.

13 (4) APPLICABLE AMOUNT.—For purposes of
14 this subsection, the term “applicable amount”
15 means—

16 (A) for any fiscal year beginning prior to
17 the date on which the Secretary of the Treasury
18 determines the total increase in revenues to the
19 Treasury by reason of the application of sub-
20 chapter E of chapter 38 of the Internal Rev-
21 enue Code of 1986 (as added by subsection (a))
22 is equal to or greater than \$100,000,000,000,
23 \$0, or

24 (B) with respect to any fiscal year begin-
25 ning after the date described in subparagraph

1 (A), an amount equal to 25 percent of the in-
2 crease in revenues to the Treasury during such
3 fiscal year by reason of the application of sub-
4 chapter E of chapter 38 of the Internal Rev-
5 enue Code of 1986 (as added by subsection
6 (a)).

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