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U.S. Senate Committee on Environment and Public Works

Summary of Allowance Allocations
Clean Energy Jobs and American Power Act (S.1733)

Consumer Protection

Electricity Consumer Protection: Customers of electric utilities will receive approximately 35% of distributed allowances, representing a significant portion of current utility emissions. Local electric distribution companies (LDCs), whose rates are regulated by the States, will receive 30% of the allowances, which are required to be used to protect consumers from electricity price increases. Merchant coal and long-term power purchase agreements will receive 5% of the allowances. The allowances will phase out over a five-year period from 2026 through 2030.

Small Electricity Local Distribution Companies: For further consumer protection, small LDCs (including rural electric cooperatives) receive 0.5% of distributed allowances and will receive an additional 0.5% distribution of the supplemental allowance allocation described below each year from 2012 through 2025, phasing out by 2030.

Natural Gas Consumer Protection: Local natural gas distribution companies, whose rates are regulated by the States, will receive 9% of the distributed allowances, which are required to be used to protect consumers from natural gas price increases. These allowances will phase out over a five-year period from 2026 through 2030.

Protection for Home Heating Oil Users: States will receive 1.5% of the distributed allowances for programs to benefit users of home heating oil and propane. These allowances will phase out over a five-year period from 2026 through 2030.

Protection of Low- and Moderate-Income Households: 15% of distributed allowances will be auctioned each year with the proceeds distributed to low- and moderate-income families to protect against any energy cost increases. The allocation increases to 18.5% after 2029.

Consumer Rebates: Direct rebates will be provided to consumers from the proceeds of allowance auctions, beginning in 2026 at 6.6% of distributed allowances and increasing to 50.8% by 2035 and thereafter.

Energy Efficiency and Clean Energy Technology

Investments in Carbon Capture and Sequestration: 1.75% of distributed allowances from 2014 through 2017, 4.75% in 2018 and 2019, and 5% in subsequent years will be allocated to help electric utilities cover the costs of installing and operating carbon capture and sequestration technologies.

Investments in Renewable Energy and Energy Efficiency: For purposes of investing in energy efficiency and renewable energy, States will receive 10.35% of distributed allowances in 2012 and 2013; 8.55% in 2014 and 2015; 5-6% in the years 2016-2021 and more than 4% of allowances in 2022 and thereafter. These allocations are supplemented by 0.5% each year of the additional allowances described below under “Supplemental Allowances.”

Investments in Clean Vehicle Technology: 3% of distributed allowances through 2017 and 1% from 2018 through 2025 will be allocated for investments in electric vehicles and other advanced automobile technology development and deployment.

Investments in Advanced Energy Research and Development: 4% of distributed allowances in 2012 and 2013, 2% in 2014 and 2015, and 1.7% of allowances in subsequent years will be allocated for research on advanced energy technologies, including funding for applied research at “Clean Energy Innovation Centers” at research universities and institutions.

Building Codes: 0.50% of distributed allowances will be allocated to support implementation of codes to reduce emissions of greenhouse gases from buildings.

Energy Intensive Industries and Domestic Energy Production

Support for Energy-Intensive Industries: Industries that are particularly vulnerable to international competition relating to energy usage will receive allowances to cover increased costs incurred for reducing greenhouse gas emissions. Allowances set aside for this program will equal 4% of the allowances in 2012 and 2013, 15% of the allowances in 2014 and 2015, and then decrease based on the percent reductions in emissions targets. These allocations are supplemented by 0.5% each year of the additional allowances described below under “Supplemental Allowances.”

Support for Domestic Energy Production: Oil refiners will receive 2.25% of allowances starting in 2014 and ending in 2026.

Investments in America’s Workers

Worker Assistance and Job Training: In 2012 and 2013, 1.5% of distributed allowances will be allocated for worker assistance, and to train workers for jobs in the areas of energy efficiency and renewable energy. This allocation will be 0.55% of allowances in 2014 and 2015, and 1% annually thereafter.

Nuclear Industry Worker Training: 0.5% of distributed allowances will be allocated for training workers in the nuclear industry in 2012 and 2013, and 0.05% in 2014 and 2015.

Additional Greenhouse Gas Reductions and Adaptation

Clean Transportation: 2.21% of distributed allowances in 2012 and 2013 will be allocated to implement transportation measures with the goal of reducing greenhouse gas emissions. The allocation will be a total of 1.35% in 2014 and 2015, and will be in the range of .9% to 2.5% thereafter. These allocations are supplemented by 1% each year of the additional allowances described below under "Supplemental Allowances."

Agriculture, Forestry and Renewable Energy: 1% of allowances in 2012 and 2013 and .28% in 2014 through 2016 will be allocated for investments in agriculture and renewable energy. These allocations are supplemented by 1% each year of the additional allowances described below under "Supplemental Allowances."

State Programs for Greenhouse Gas Reduction and Adaptation: In 2012 and 2013, 1.34% of distributed allowances will be allocated to the states to be used for domestic adaptation purposes, including water system adaptation, wildfire reduction, flood mitigation, and coastal adaptation, and for activities to reduce greenhouse gas emissions, including promoting state and local recycling programs. The number of allowances allocated for domestic adaptation ranges from 0.5% to 1.3% from 2012 through 2026 and will increase to 2.18% thereafter.

Public Heath: 0.10% of distributed allowances will be auctioned annually with the proceeds used for protection of public health against the effects of climate change.

Natural Resources Protection: 1% of distributed allowances will support protection of natural resources each year from 2012 through 2021, increasing to 2% in 2022 through 2026 and 4% annually in subsequent years.

Supplemental Reductions from Preventing Tropical Deforestation: 5% of allowances will be allocated from 2012 through 2025 to prevent tropical deforestation and build capacity to generate international deforestation offsets. By 2020, this program will achieve additional emission reductions equivalent to 10% of U.S. emissions in 2005. From 2026 through 2030, 3% of allowances will be allocated to this program. In 2031 and thereafter, 2% will be allocated to this program.

International Adaptation and Clean Technology Transfer: From 2012 through 2021, 2% of allowances will be allocated for international adaptation and clean technology transfer. The amount of allowances allocated for these purposes will increase to 4% from 2022 through 2026 and to 8% in 2027 and thereafter. From 2012 through 2026, the allocation for international adaptation is supplemented by 0.25% each year of the additional allowances described below under "Supplemental Allowances."

Early Action: 2% of the distributed allowances in 2012 and 2013 will be allocated to compensate for actions taken previously to reduce greenhouse gas emissions.

Additional Allowances

Emission allowances are reserved for deficit reduction, market stability and additional investments prior to providing allocations for the other purposes described above.

Market Stability Reserve: From 2012 through 2019, 2% of allowances will be placed in reserve. If allowance prices exceed specified levels, these allowances will be auctioned to moderate prices by increasing the supply of available allowances. The reserve will increase to 3% in each of the years 2020 through 2050.

Deficit Reduction: From 2012 through 2029, 10% of allowances annually will be auctioned with the proceeds used to reduce the Federal deficit, increasing to 22% in 2030 through 2039 and 25% from 2040 through 2050.

Supplemental Allowances: From 2012 through 2025, 3.75% of the reserved allowances are distributed for to supplement programs, declining to 3% annually in 2030 and thereafter.

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