















## WRI Summary of the Chairman's Mark of S.1733, the Clean Energy Jobs and American Power Act

offsets, and 5) ensures the offset project developer can receive disposition of legal service under U.S. law (Sec. 744, pg. 565).

- **Project sources:** Offset credits may be issued for projects identified by the administrator under Sec. 733 through an approved international body, sectoral crediting mechanisms or international reduced deforestation as outlined in the CEJAPA, additional offset project types may be approved by the president if certain conditions are met (Sec. 744, pg. 564).
  - Sector-based credits: Approves the issuance of offset credits based on sectoral crediting mechanisms targeted at sectors in any country that: 1) has comparatively high emissions or greater levels of economic development or 2) would be subject to a compliance obligation under Section 722 if it were located in the United States (Sec. 744, pg. 564).
  - Recognition of other programs: The administrator can issue credits in exchange for credits issued by an international body established by the UNFCCC, a protocol to such convention or a treaty that succeeds such a convention as long as those credits were generated through a program that creates equal or greater assurance of the environmental integrity of the U.S. program (Sec. 744, pg. 573).
  - Offsets from reduced deforestation: International offset credits are allowed only if the activity occurs in a country identified by the administrator pursuant to the country's capacity to participate in such a program according to specific criteria as established by this act. Offset credits can be issued relative to a national, sub-national or activity basis (in certain instances) (Sec. 744, pg. 574).

### OTHER OFFSET-RELATED PROVISIONS

- **Supplemental Agriculture Forestry Greenhouse Gas Reduction and Renewable Energy program:** Established provisions for allowances to be set aside for the Secretary of Agriculture and the Interior to provide incentives for additional activities in the agriculture sector to reduce GHG emissions or sequester carbon. These must: 1) be GHG emission reduction or avoidance projects where there are limited recognized opportunities to achieve reductions, 2) not meet the criteria for offsets credits as established by the bill, 3) reward early actors or 4) be activities that prevent conversion of land in ways that would increase GHG emissions. Also establishes requirements related to technology development and monitoring, measurement, verification and reporting of emission reductions or sequestration achieved through this program (Sec. 155, pg. 170 and Sec. 771, pg 636).
- **Early action recognition:** Establishes provisions for to be set aside for the recognition of early action and credits issued by an administrator-approved offset program under the early offset provisions (Sec. 740) prior to January 1, 2009 may be exchanged for allowances. The exchange value will be determined by the average monetary value of the credits during the period of Jan 1, 2006 to Jan. 1, 2009. Only credits that have not been retired and were issued between Jan 1, 2001 and Jan 1, 2009 are eligible to receive allowances. Other types of non-offset documented early reductions are also eligible under this section. 75 percent of the allocated funds will be used to compensate offset credits, and 25 percent for other types of demonstrated reductions pursuant to this section (Sec. 782, pg. 773 and Sec. 771, pg 624).

### INTERACTION WITH EXISTING EPA AUTHORITY UNDER THE CLEAN AIR ACT

- **Extension of CAA Title VI** (stratospheric ozone protection) to include HFCs (Sec. 619, pg. 778):
  - Sets a cap on consumption of HFCs with most allowances auctioned and the rest sold at fixed prices to producers, importers and consumers of HFCs (see targets and timetables section above). This cap is separate from the broader cap-and-trade program. No trading is permitted between programs (Sec. 619, pg. 778).
  - Offsets from the destruction of chlorofluorocarbons (CFCs) may be used for compliance in this program and may also potentially qualify as eligible offset types under the primary cap-and-trade and early offset (SEC. 740) program.
  - Imposes other requirements restricting the sale and importation of HFCs and HFC containing products (Sec. 619, pg. 802).
- **Standards:** Requires EPA to:
  - Regulate black carbon or decide that any regulations set under the CAA are adequate (Sec. 851, pg. 833).

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- Set emissions standards for certain mobile sources based on costs and available technology (Sec. 821, pg. 27). Covered sources include heavy-duty vehicles not covered under existing CAA authority, aircraft and other non-road vehicles (which may include marine vessels and other non-road vehicles and engines).
- Set standards for geologic storage sites and new coal-fired power plants (see "Coal Provisions").
- Allows but does not require EPA to regulate PFCs and other Non-CFC fluorocarbons by applying best achievable performance standards to all stationary sources of PFCs (Sec. 714, pg. 468).
- **Prohibits EPA from:** regulating emissions not capped under other provisions of CEJAPA that are also sources that qualify for offset project status through New Source Performance Standards (NSPS) until after Jan 1, 2020 (Sec. 811, p. 777).

### INTERACTION WITH STATE PROGRAMS

- **Temporarily prohibits states from running their own cap-and-trade programs:** This prohibition expires after 2017. The prohibition does not apply to state low-carbon fuel standards, vehicle fleet standards such as California cars or most other areas of state authority (Sec. 861, pg. 836).
  - Those who hold California, Regional Greenhouse Gas Initiative or Western Climate Initiative allowances can be compensated with allowances from the federal program. Compensation is based on the cost of obtaining and holding allowances, not on a ton-for-ton basis (Sec. 777, pg. 707).
  - States are permitted to require federal allowances for compliance with state air regulations that reduce GHGs (sec. 124, pg. 837).
- **States receive funds to support existing and new programs** (See "Clean Energy", "Efficiency" and "Adaptation"):
  - States receive federal allowances for renewable energy, energy efficiency, transmission improvement and smart grid development programs (Sec. 202, pg. 881).
  - Local governments receive federal allowances for energy conservation and efficiency (Sec. 202, pg. 881). States receive federal allowances for greenhouse gas reduction and adaptation with some of these allowances directed to local governments (Sec 210, pg. 900).
  - States receive federal allowances for natural resource adaptation activities (Sec 216, pg. 924).
  - States receive federal funds for transportation sector reductions (Sec 215, pg. 921).
  - Authorizes EPA to use CAA Sec. 105 grant money to support climate programs conducted by state air pollution control agencies (Sec. 862, pg. 837).
- **State fuel economy regulations for taxicabs:** Allows states to set fuel economy and emissions standards for taxicabs that are more stringent than federal fleet-wide standards (Sec. 172 & 173, pg 234-235).
- **Consultation with states:** In the development of any regulations required to implement the global warming pollution and reduction investment program pursuant to this title, and in the implementation of that program, the administrator shall consult with the states in the Regional Greenhouse Gas Initiative, the Western Climate Initiative, and the MidWest Governors Accord (sec. 708, pg. 443).

### INTERNATIONAL ISSUES

- **Forestry:**
  - Supplemental emissions reductions from reduced deforestation: Creates a new program to achieve supplemental emissions reductions of at least 720 million tons in 2020 (cumulative amount of 6 billion tons by 2025) through reduced deforestation projects in developing nations. Also builds capacity for international forest credits and preservation of existing forest carbon stocks at risk of international leakage. Allowances are used to fund this program (Sec. 753 pg. 324 and Sec. 771, pg 634).

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- **Clean technology transfer:**
  - The Board: Establishes a “Strategic Interagency Board on International Climate Investment,” including heads from State, AID, DOE, Treasury, DOC, USDA and EPA to monitor and review U.S. government support for international climate change activities (Sec. 321, pg. 321).
  - International Clean Energy Deployment Program: Establishes a State Department program to financially assist developing countries with low-carbon technology deployment through bilateral and multilateral programs. This program will be funded by an unspecified amount of allowances (Sec. 323, pg. 325).
- **Competitiveness/leakage:**
  - Rebates: Follows Inslee-Doyle Output Based Rebating (OBR) model of providing rebates to carbon-intensive manufacturers to offset their cost of compliance. Sectors are presumed eligible if they meet a 5 percent energy or GHG intensity threshold and 15 percent trade intensity, or just a 20 percent energy or GHG intensity threshold. Each sector is rebated at 100 percent of sector average direct and indirect emissions cost. Rebates are phased out beginning in 2025 unless presidential review determines that other countries have not yet taken substantial action and leakage concerns persist (Sec. 141 [new sections 761-764 of CAA], pg. 846).
  - International Trade: A placeholder section states that it is the Sense of the Senate that this act will include “border measures” to work in conjunction with the above rebate provisions (Sec. 141 [new section 765 of CAA], pg. 870).
- **International adaptation**: Establishes an international climate change adaptation and global security program under State, USAID, Treasury and EPA. Funding is to be distributed through bilateral assistance and/or through multilateral funds pursuant to an international agreement (Sec. 324, pg. 327). This program is funded through allowance distribution (Sec. 771, pg. 627).

### PROVISIONS FOR COAL

- **Legal and regulatory issues around carbon capture and storage (CCS):**
  - Requires interagency national strategy report on legal and regulatory barriers to commercial CCS deployment. The report is due in one year and must provide recommendations to the president and Congress for new legislation and regulations that would address these barriers (Sec. 121, pg. 83). A task force study to design a legal framework for geologic storage sites is also established with a report due within 18 months after enactment (Sec. 123, pg. 89).
  - CO<sub>2</sub> geologic storage site regulations: Amends the CAA and the Safe Drinking Water Act (SDWA) to establish standards within two years after enactment (Sec. 813, pg. 85). Standards must include rules on financial responsibility of injected CO<sub>2</sub>, monitoring, record keeping, public participation and certification rules, among other things. Rules must minimize redundancy between CAA and SDWA authority. Certified geologic storage sites are covered entities under the cap-and-trade program (see “Point of Regulation” above).
- **R&D and early deployment of CCS:**
  - Carbon Storage Research Corporation: Established to oversee and direct R&D of CCS technologies by issuing grants and financial assistance (Sec. 125, pg. 100).
  - Funding: Secured through assessments on utility sales of electricity from fossil fuels with annual nationwide limit of \$1 billion to \$1.1 billion per year for no more than 10 years unless the period is extended by an act of Congress (Sec. 125, pg. 103 and 113).
  - Financial assistance eligibility: Commercial-scale projects undertaken by private, public, academic and non-profit organizations are eligible, with an emphasis on supporting a diversity of technologies and fuels. (Sec. 125, pg. 100). Funding will go towards at least 5 commercial-scale integrated CCS projects, with 50% of funds to utilities that have already committed resources towards such projects (Sec. 125, pg. 107).
  - Other provisions deal with governance, government oversight, sharing of information and intellectual property.
- **Incentives and standards for commercial deployment of CCS:**
  - Incentives: Provides fixed payments to facilities for tons of CO<sub>2</sub> captured and sequestered. Amount per tonne is set on a sliding scale based on percent captured and the amount of

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commercial CCS already deployed. Initial amounts are as high as \$96/tonne for the highest capture rates. After 20 gigawatts of capacity treated with CCS technology is deployed, bonus allowances are awarded through a reverse auction process. Separate reverse auctions may be held for projects with different characteristics (e.g., coal type, type of applied technology, etc.). Incentive payments last for ten years. The program is expected to cover the first 72 gigawatts deployed on new or retrofit units. Conditions for eligibility and advanced distribution of emissions allowances for these projects are specified with required repayment of allowances if CO<sub>2</sub> is not sequestered (Sec. 780, pg. 716).

- **Performance standards:** Amends the CAA to require new coal-fired power plants to meet emission performance standards (Sec. 812, pg.92). The administrator must review standards and may tighten them depending on the performance of commercially available technology. Details include:
  - Standards apply to all plants initially permitted after Jan 1, 2009 where 30 percent or more of their fuel is coal and/or petroleum coke. Standards vary based on the year in which the plant is permitted along with other factors.
  - Plants initially permitted from 2009 through 2019 shall achieve a 50 percent reduction in CO<sub>2</sub> emissions on an annual basis by 2020
  - Plants initially permitted from 2020 onward shall achieve a 65 percent reduction in CO<sub>2</sub> emissions
  - Standards may be applied before 2020 if a threshold of 10 GW of commercial CCS deployment is achieved. The applicable date may be extended to 2022, if the Secretary of Energy and administrator find insufficient commercial deployment in 2017 and Congress approves this finding.
  - The administrator may strengthen the standards but may not relax them.

### DOMESTIC ADAPTATION

- **Funding:** Establishes a National Climate Change Adaptation Account with allowances allocated to states and federal agencies to fund adaptation programs (Sec. 370, pg. 379).
- **State Programs:** Requires **State-level Natural Resource Adaptation Plans** detailing each state's current and projected efforts to address the potential impacts of climate change on natural resources and coastal areas (Sec. 369, pg. 368).
- **Federal programs:**
  - Establishes a National Climate Change Adaptation Panel that will include the heads of 10 federal agencies (Sec. 365, pg. 350). Requires the development of climate change adaptation plans by each federal agency on the Climate Change Adaptation Panel (Sec. 368, pg. 361). Establishes a National Climate Change Adaptation Strategy that will develop reports and provide advice to key federal agencies (Sec. 366, pg. 352).
  - Establishes a National Climate Service within NOAA to develop climate information and forecasts at national and regional scales. This service will also distribute information regarding climate impacts to state, local, and tribal governments (Sec. 342, pg. 331).
  - Public health and climate change: Requires establishment of national strategic action plan to assist health professionals in preparing for and responding to the impacts of public health and climate change in the United States and other nations, particularly developing nations (Sec. 351, pg. 332). Establishes climate change health protection and promotion program funded through allowance distribution (Sec. 212, pg. 920).
- **Additional Climate Change Adaptation Programs:** Funds programs and partnerships to address climate change impacts on U.S. water systems, impacts on coastal and Great Lakes states as well as to mitigate and adapt to impacts from wildfires and floods (Sec. 381-384, pg 399-416).

### ASSISTANCE DURING THE TRANSITION TO A LOW-CARBON ECONOMY

- **Consumer assistance:**
  - Electric and natural gas LDC rate payer assistance: Emission allowances distributed to an electricity or natural gas local distribution company (LDC) shall be used exclusively for the benefit of retail rate payers. The LDC shall ensure that the ratepayer benefit is distributed

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- among ratepayer classes ratably based on deliveries to each class and equally within each class. State utility regulators are required to construct rate cases or other regulations to implement these requirements (Sec. 772, pg. 664 and Sec. 773, pg. 690).
- Home heating oil and propane consumer assistance: Emission allowances are distributed to states that shall use them exclusively for the benefit of consumers of oil heat fuel, propane or kerosene for residential or commercial purposes by using the proceeds for cost-effective energy efficiency programs, rebates or other direct financial assistance programs (Sec. 774, pg. 669).
  - Additional consumer assistance:
    - *Energy Refund Program*: The president shall provide tax refunds to low- and moderate-income households to offset energy cost impacts from the GHG reduction program (Sec. 776, pg. 706).
    - *Consumer rebate fund*: Beginning in 2026 the president will distribute allowance value to provide relief to consumers and others affected by the CEJAPA (Sec. 776, pg. 706).
  - **Green jobs and worker transition:**
    - Competitive grants program: Establishes a competitive grant program within the Department of Education for the development of programs of study in the fields of clean energy, renewable energy, energy efficiency, climate change mitigation and climate change adaptation (Sec. 301, pg. 254).
    - Information and resources clearinghouse: The Secretary of Labor in conjunction with the Secretary of Energy and Education will develop an Internet-based information and resources clearinghouse to aid career, technical education and job training programs for the renewable energy sector (Sec. 302, pg. 258).
    - Establishes an Energy Efficiency and Worker Training Fund that will provide climate change adjustment assistance for workers in adversely affected sectors (Sec. 312, pg. 277).