

119TH CONGRESS  
1ST SESSION

**S.** \_\_\_\_\_

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

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IN THE SENATE OF THE UNITED STATES

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Mr. WHITEHOUSE introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

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## 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”.

6 **SEC. 2. CARBON INTENSITY CHARGE.**

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

## 1       **“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.

### 2       **“SEC. 4691. CALCULATION OF CARBON INTENSITY.**

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

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

14                   “(2) The total amount of electricity used at  
15 such facility during the preceding calendar year, in-  
16 cluding—

17                           “(A) whether such electricity was provided  
18 through the electric grid or a dedicated genera-  
19 tion source,

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

22                           “(C) with respect to any electricity which  
23 was not provided through the electric grid, the

1 greenhouse gas emissions associated with the  
2 production of such electricity, provided that  
3 such emissions are not reported pursuant to  
4 paragraph (1).

5 “(3) The total relevant quantity of each covered  
6 primary good produced at such facility during the  
7 preceding calendar year.

8 “(4) Any other information determined nec-  
9 essary by the Secretary for purposes of the adminis-  
10 tration of subsection (b).

11 “(b) CALCULATION.—

12 “(1) CARBON INTENSITY.—

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

18 “(i) the covered emissions (as deter-  
19 mined under paragraph (2)) with respect  
20 to such facility, divided by

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

24 “(B) COVERED NATIONAL INDUSTRY.—

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

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

14           “(II) the total relevant quantity  
15 of covered primary goods within such  
16 covered national industry which are  
17 produced at all such eligible facilities  
18 during such year.

19           “(ii) COVERED PRIMARY GOODS DE-  
20 TERMINATION.—For purposes of this sub-  
21 chapter—

22           “(I) a covered primary good shall  
23 initially be included within the covered  
24 national industry with which it is as-  
25 sociated under the most recent con-

1 cordance table published by the Bu-  
2 reau of the Census comparing classi-  
3 fications under the Harmonized Tariff  
4 System and the North American In-  
5 dustry Classification System, and

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

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

21 “(bb) does not meaningfully  
22 reduce the scope of greenhouse  
23 gas emissions covered by this  
24 subchapter, and



1 tional industry established under sub-  
2 clause (II), and

3 “(IV) determine a classification  
4 for defining such covered national in-  
5 dustry for purposes of this sub-  
6 chapter, such as—

7 “(aa) the applicable 6-digit  
8 subheading (or subheadings) of  
9 the Harmonized Tariff Schedule  
10 of the United States of the goods  
11 described in subclass (I),

12 “(bb) the relevant produc-  
13 tion process,

14 “(cc) a set of material char-  
15 acteristics, or

16 “(dd) any combination of  
17 the methods for classification de-  
18 scribed in items (aa) through  
19 (cc).

20 “(ii) REVIEW.—With respect to any  
21 covered primary good which is included in  
22 a petition described in clause (i), the Sec-  
23 retary (in coordination with the Adminis-  
24 trator and the Secretary of Energy) shall  
25 approve such petition if—

1                   “(I) the chemical, physical, or  
2                   mechanical production processes for  
3                   such good or goods are substantially  
4                   different as compared to other covered  
5                   primary goods produced within the  
6                   same covered national industry,

7                   “(II) the properties of such good  
8                   or goods are distinct such that its  
9                   uses cannot be easily replaced by  
10                  other covered primary goods produced  
11                  within the same covered national in-  
12                  dustry, and

13                  “(III) the carbon intensity deter-  
14                  mined with respect to such good or  
15                  goods is at least 25 percent greater  
16                  than the carbon intensity determined  
17                  for other covered primary goods pro-  
18                  duced within the same covered na-  
19                  tional industry.

20                  “(iii) RECALCULATION.—In the case  
21                  of any petition described in clause (i)  
22                  which is approved by the Secretary pursu-  
23                  ant to clause (ii), the Secretary (in coordi-  
24                  nation with the Administrator) shall rede-  
25                  termine the carbon intensity, as well as the

1 baseline carbon intensity, with respect to  
2 the covered national industry or industries  
3 which previously included production of the  
4 covered primary good or goods which are  
5 the subject of such petition by excluding  
6 any covered emissions associated with the  
7 production of such good or goods for pur-  
8 poses of the determination made under  
9 subparagraph (B) for such industry.

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

22 “(I) is compatible with existing  
23 Federal carbon accounting rules and  
24 standards,



1 covered primary goods in the covered na-  
2 tional industry, an alternate physical unit  
3 of measurement.

4 “(2) COVERED EMISSIONS.—

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

11 “(i) the total greenhouse gas emis-  
12 sions associated with the production of cov-  
13 ered primary goods at such facility during  
14 the preceding calendar year (as reported  
15 pursuant to subsection (a)), plus

16 “(ii) the total greenhouse gas emis-  
17 sions associated with any electricity used  
18 at such facility for the production of such  
19 goods during the preceding calendar year.

20 “(B) EMISSIONS FOR ELECTRICITY  
21 USED.—

22 “(i) IN GENERAL.—For purposes of  
23 subparagraph (A)(ii), the amount of green-  
24 house gas emissions associated with elec-  
25 tricity provided through the electric grid

1 shall be determined based on the average  
2 carbon intensity for the regional grid in  
3 which the eligible facility is located for the  
4 preceding calendar year.

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

14 “(I) clause (i) shall not apply  
15 with respect to the amount of elec-  
16 tricity provided under such agree-  
17 ment, and

18 “(II) the amount of greenhouse  
19 gas emissions associated with such  
20 electricity shall be determined based  
21 on the average carbon intensity of the  
22 electricity provided under such agree-  
23 ment.

24 “(3) IMPORTED GOODS.—

1           “(A) IN GENERAL.—In the case of any  
2 covered primary good which is imported into  
3 the United States, the carbon intensity with re-  
4 spect to such good shall be determined as fol-  
5 lows:

6           “(i) ECONOMY-WIDE DEFAULT.—Sub-  
7 ject to clauses (ii), (iii), and (iv), the car-  
8 bon intensity with respect to the covered  
9 primary good shall be equal to the product  
10 of—

11           “(I) an amount equal to the  
12 quotient of—

13           “(aa) the carbon intensity of  
14 the general economy of the coun-  
15 try of origin of such good, di-  
16 vided by

17           “(bb) the carbon intensity of  
18 the general economy of the  
19 United States, multiplied by

20           “(II) the carbon intensity of the  
21 covered national industry in the  
22 United States for such good for the  
23 preceding calendar year.

24           “(ii) INDUSTRY DATA.—If the Sec-  
25 retary (in coordination with the relevant

1 parties) determines that transparent,  
2 verifiable, and reliable information is avail-  
3 able with respect to any covered national  
4 industry in the country of origin of the  
5 covered primary good and that such coun-  
6 try of origin is a transparent market econ-  
7 omy, the carbon intensity with respect to  
8 the covered primary good shall be equal to  
9 the relevant covered national industry car-  
10 bon intensity of the country of origin of  
11 such good.

12 “(iii) MANUFACTURER DATA.—If a  
13 petition under subparagraph (C) has been  
14 approved, the carbon intensity with respect  
15 to the covered primary good shall be equal  
16 to the average carbon intensity with re-  
17 spect to the production of such good by the  
18 manufacturer within the country of origin.

19 “(iv) ESTIMATES FOR SIGNIFICANT  
20 IMPORTS.—If the Secretary (in coordina-  
21 tion with the relevant parties) determines  
22 that—

23 “(I)(aa) greater than 10 percent  
24 of the value of imports of covered pri-  
25 mary goods in a covered national in-

1 industry come from a single country of  
2 origin, or

3 “(bb) when applied to imports of  
4 covered primary goods in a covered  
5 national industry from a country of  
6 origin, the carbon intensity deter-  
7 mined under clause (i) fails to main-  
8 tain the integrity and efficacy of this  
9 subchapter, and

10 “(II)(aa) transparent, verifiable,  
11 and reliable information is not avail-  
12 able to determine the carbon intensity  
13 of the covered national industry in  
14 such country of origin, or

15 “(bb) such country of origin is  
16 not a transparent market economy,  
17 the Secretary (in coordination with  
18 the relevant parties) shall estimate the  
19 carbon intensity of the covered na-  
20 tional industry in the country of ori-  
21 gin using best available data (such as  
22 the production processes used by the  
23 facilities in the country).

24 “(B) CARBON INTENSITY OF THE GEN-  
25 ERAL ECONOMY.—For purposes of this sub-

1 chapter, with respect to any country, the carbon  
2 intensity of the general economy of such coun-  
3 try shall be an amount equal to the quotient  
4 of—

5 “(i) the greenhouse gas emissions of  
6 such country for the most recent year for  
7 which the Secretary determines there is re-  
8 liable information, divided by

9 “(ii) the gross domestic product of  
10 such country for the year described in  
11 clause (i).

12 “(C) PETITION FOR FOREIGN MANUFAC-  
13 Turer DATA.—

14 “(i) IN GENERAL.—In the case of any  
15 entity which imports a covered primary  
16 good for which the carbon intensity can be  
17 determined under subparagraph (A)(ii)  
18 from a country of origin where there is no  
19 evidence of inter-firm resource shuffling,  
20 such entity may file a petition with the  
21 Secretary to determine the charge under  
22 section 4692, if any, based on the average  
23 carbon intensity with respect to the pro-  
24 duction of such good by the manufacturer  
25 within the country of origin.

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

12          “(iii) DATA PROVISION.—In the case  
13          of an entity which files a petition described  
14          in clause (i), such entity shall provide the  
15          Secretary with an environmental product  
16          declaration containing—

17                 “(I) any information which would  
18                 otherwise be required to be reported  
19                 under subsection (a) if the facilities  
20                 which produced the covered primary  
21                 good to which the petition applies  
22                 were subject to the reporting require-  
23                 ments under the Greenhouse Gas Re-  
24                 porting Program, and

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

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

19                  “(D) INPUTS.—With respect to any cov-  
20                  ered primary good which is imported into the  
21                  United States and for which other covered pri-  
22                  mary goods (other than petroleum, natural gas,  
23                  coal, or any waste or scrap product) from other  
24                  covered national industries were used as inputs  
25                  in the production of the imported covered pri-

1           mary good, the quantity of such inputs used in  
2           the production of the imported covered primary  
3           good shall be treated as separate covered pri-  
4           mary goods that, without double-counting emis-  
5           sions, shall be considered to be imported for  
6           purposes of this subchapter.

7           “(E) EXCLUSION.—

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

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

22           “(F) INTER-FIRM RESOURCE SHUF-  
23           FLING.—For purposes of this paragraph, the  
24           term ‘inter-firm resource shuffling’ means any  
25           buying, selling, trading, exchanging, or other

1 transfer of control of production facilities be-  
2 tween entities based on the carbon intensity of  
3 such facilities for the purpose of creating enti-  
4 ties with relatively lower carbon intensity and  
5 entities with relatively higher carbon intensity.

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

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

21 “(1) annually publish any carbon intensity  
22 which has been determined under subsection (b)  
23 with respect to any eligible facility, covered national  
24 industry, covered primary good, foreign manufac-  
25 turer, or country of origin (including the physical

1 unit of measurement which serves as the relevant  
2 quantity with respect to any covered primary good),

3 “(2) publish (and update, as appropriate) a list  
4 of each covered primary good, as categorized by the  
5 covered national industry in which such good is in-  
6 cluded, and

7 “(3) publish (and update, as appropriate) a list  
8 of each good that qualifies as a finished good, as de-  
9 termined by the Secretary pursuant to section  
10 4695(9).

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

12 “(a) IN GENERAL.—

13 “(1) IMPORTATION OF GOODS.—

14 “(A) IN GENERAL.—

15 “(i) COVERED PRIMARY GOODS.—Sub-  
16 ject to section 4694, in the case of any  
17 covered primary good imported into the  
18 United States during any calendar year be-  
19 ginning after December 31, 2025, there is  
20 hereby imposed a charge in an amount  
21 (rounded to the nearest dollar) equal to  
22 the product of—

23 “(I) the amount (if any) by  
24 which the carbon intensity determined  
25 under section 4691(b)(3) with respect

1 to such good exceeds an amount equal  
2 to the applicable percentage of the  
3 baseline carbon intensity of the cov-  
4 ered national industry which includes  
5 such good, multiplied by

6 “(II) the total relevant quantity  
7 of the good imported into the United  
8 States, multiplied by

9 “(III) the cost of pollution (as  
10 determined under subsection (c)).

11 “(ii) FINISHED GOODS.—

12 “(I) IN GENERAL.—Subject to  
13 section 4694, in the case of any fin-  
14 ished good which is imported into the  
15 United States during any calendar  
16 year beginning after December 31,  
17 2027, there is hereby imposed a  
18 charge in an amount equal to the sum  
19 of the amounts determined under sub-  
20 clause (II) with respect to each cov-  
21 ered primary good which is an input  
22 of such finished good.

23 “(II) COMPONENTS.—The  
24 amount determined under this sub-  
25 clause with respect to any covered pri-

1                   mary good which is an input of a fin-  
2                   ished good is an amount equal to the  
3                   product of—

4                               “(aa) the amount (if any)  
5                               determined under clause (i)(I) if  
6                               such clause were applied with re-  
7                               spect to such good, multiplied by

8                               “(bb) the total relevant  
9                               quantity of the covered primary  
10                              good, multiplied by

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

14                   “(B) CHARGE DUE.—The charge imposed  
15                   under this paragraph with respect to any goods  
16                   imported during any calendar year shall be paid  
17                   by the entity which imported such goods not  
18                   later than September 30 of the calendar year  
19                   subsequent to such year.

20                   “(C) EXCLUSION.—

21                             “(i) IN GENERAL.—Subject to clause  
22                             (ii), in the case of any covered primary  
23                             good (including any covered primary good  
24                             which is an input of a finished good) which  
25                             is imported into the United States and was

1 produced in a relatively least developed  
2 country (as described in section 124 of the  
3 Foreign Assistance Act of 1961 (22 U.S.C.  
4 2151v)), this paragraph shall not apply.

5 “(ii) EXCEPTION.—Clause (i) shall  
6 not apply if the country described in such  
7 clause produces at least 3 percent of total  
8 global exports by value of the covered pri-  
9 mary good.

10 “(D) FOREIGN CARBON PRICES.—If the  
11 Secretary (in coordination with the relevant  
12 parties) determines that a foreign country has  
13 implemented policies which impose explicit and  
14 verifiable fees, costs, or penalties on the emis-  
15 sion of greenhouse gases which—

16 “(i) are economically similar to the  
17 charges imposed pursuant to the provisions  
18 of this subchapter, and

19 “(ii) have not been rebated by such  
20 foreign country,

21 the charge (or a portion of the charge which is  
22 equivalent to the fees or costs imposed by the  
23 foreign country) which would otherwise be im-  
24 posed under this section with respect to covered

1 primary goods produced in such foreign country  
2 may be waived.

3 “(2) DOMESTIC PRODUCTION OF COVERED PRI-  
4 MARY GOODS.—

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

10 “(i) the amount (if any) by which the  
11 carbon intensity of such facility (as deter-  
12 mined under section 4691(b)(1)(A)) ex-  
13 ceeds an amount equal to the applicable  
14 percentage of the baseline carbon intensity  
15 for the covered national industry (as deter-  
16 mined under section 4691(b)) which in-  
17 cludes any covered primary good produced  
18 by such facility, multiplied by

19 “(ii) the total relevant quantity of any  
20 covered primary goods produced by such  
21 facility during such calendar year, multi-  
22 plied by

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

1           “(B) CHARGE DUE.—The charge imposed  
2           under this paragraph with respect to any cal-  
3           endar year shall be paid by the covered entity  
4           not later than September 30 of the calendar  
5           year subsequent to such year.

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

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

10           “(2) for calendar years 2027 through 2030, the  
11           applicable percentage for the preceding calendar  
12           year, reduced by 2.5 percentage points,

13           “(3) for calendar years 2031 through 2047, the  
14           applicable percentage for the preceding calendar  
15           year, reduced by 5 percentage points, and

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

18           “(c) COST OF POLLUTION.—

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

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

23           “(B) for each calendar year subsequent to  
24           the calendar year described in subparagraph  
25           (A), an amount equal to the sum of—

1                   “(i) the cost of pollution for the pre-  
2                   ceding year, plus

3                   “(ii) an amount equal to—

4                   “**(I)** the amount described in  
5                   clause (i), multiplied by

6                   “**(II)** the percentage by which the  
7                   CPI for the preceding calendar year  
8                   exceeds the CPI for the second pre-  
9                   ceding calendar year, increased by 6  
10                  percentage points.

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

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

17                 “(d) **CARBON REMOVAL.**—

18                 “(1) **IN GENERAL.**—With respect to the amount  
19                 of any charges imposed under subsection (a) during  
20                 a calendar year, such amount shall be reduced by an  
21                 amount (rounded to the nearest dollar) equal to the  
22                 product of—

23                 “(A) the total amount (as measured in  
24                 metric tons) of greenhouse gas emissions which  
25                 are captured directly from the ambient air dur-

1           ing such calendar year pursuant to the require-  
2           ments under paragraphs (2) and (3), and

3                   “(B) the cost of pollution (as determined  
4                   under subsection (c)).

5           “(2) REMOVAL REQUIREMENTS.—The require-  
6           ments described under this paragraph with respect  
7           to captured greenhouse gas emissions are that such  
8           emissions are captured during the preceding cal-  
9           endar year and—

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

13                   “(B) utilized in a manner (other than for  
14                   enhanced oil or gas recovery and in compliance  
15                   with the regulations established under section  
16                   45Q(f)(5)) whereby such emissions are not com-  
17                   busted or otherwise emitted into the atmos-  
18                   phere.

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

1           “(A) apportion such emissions removal  
2 amongst any eligible facilities which are under  
3 common control of such operator, or

4           “(B) enter into binding and exclusive  
5 agreements (which meet such requirements as  
6 determined necessary by the Secretary to en-  
7 sure fair and accurate emissions accounting)  
8 with—

9                   “(i) any operator of an eligible facil-  
10 ity, for the purpose of permitting such op-  
11 erator to reduce the charge imposed under  
12 subsection (a) with respect to any eligible  
13 facilities which are under common control  
14 of such operator, or

15                   “(ii) any importer of covered primary  
16 goods, for the purpose of permitting such  
17 operator to reduce the charge imposed  
18 under subsection (a) with respect to any of  
19 their imported covered primary goods.

20           “(4) LIMITATION.—For purposes of this sub-  
21 section, in the case of any covered primary good im-  
22 ported or produced at an eligible facility, the amount  
23 of any reduction of the charge imposed under sub-  
24 section (a) with respect to such covered primary

1 good or production of such good shall not exceed the  
2 lesser of—

3 “(A) the amount of the charge imposed  
4 under such subsection, or

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

6 “(i) the first quartile in terms of car-  
7 bon intensity with respect to facilities oper-  
8 ating in the United States which produce  
9 covered primary goods which are included  
10 within the same covered national industry,  
11 as determined by the Secretary (in coordi-  
12 nation with the relevant parties), multi-  
13 plied by

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

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

18 “(5) ENSURING INTEGRITY.—The Secretary, in  
19 coordination with the Administrator and the Sec-  
20 retary of Energy, shall issue such regulations as  
21 may be necessary to prevent double-counting and to  
22 ensure the additionality and permanence of captured  
23 emissions.

24 “(e) REGULATIONS AND TRADE ACTIONS.—The Sec-  
25 retary shall issue such regulations as may be necessary

1 to carry out this subchapter and shall work closely with  
2 the relevant parties to pursue such trade actions as may  
3 be necessary to maintain the integrity and efficacy of this  
4 subchapter.

5 **“SEC. 4693. REBATE.**

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

16       “(b) EXPORTATION OF FINISHED GOOD.—Subject to  
17 subsection (c), in the case of a person who exports any  
18 finished good from the United States for which a charge  
19 has been imposed under section 4692 on such finished  
20 good or any of its components, a refund shall be allowed  
21 to such person in the same manner as if it were an over-  
22 payment of the charge imposed by such section in an  
23 amount equal to the charge that would otherwise be im-  
24 posed under such section with respect to such finished

1 good (as determined pursuant to subsection (a)(1)(A)(ii)  
2 of such section).

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

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

11 “(2) the country described in paragraph (1)  
12 would credit the charge imposed under section 4692  
13 against such tariffs, fees, or penalties,

14 any portion of a rebate otherwise allowable under this sec-  
15 tion shall not be allowed to the extent that it would reduce  
16 the amount credited by such country against such tariffs,  
17 fees, or penalties.

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

1 **“SEC. 4694. CARBON CLUBS.**

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

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

9 “(2) perform any enforcement activities nec-  
10 essary to uphold the requirements under such agree-  
11 ment, and

12 “(3) remove any foreign country from a carbon  
13 club agreement if such country is determined to have  
14 failed to comply with the requirements described in  
15 subsection (b) or any additional requirements estab-  
16 lished under such agreement.

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

20 “(1) Ensure its methodologies for the measure-  
21 ment, reporting, and verification of the carbon inten-  
22 sity of covered national industries match, or are  
23 interoperable with, those used to determine the car-  
24 bon intensity of covered national industries in the  
25 United States.

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

5           “(3) Ensure, in law and in practice, that all  
6           workers in the territory of the country are guaran-  
7           teed the following internationally recognized rights  
8           and freedoms, including those guaranteed in the  
9           Declaration on Fundamental Principles and Rights  
10          at Work of the International Labour Organization  
11          and its Follow-up:

12                 “(A) Freedom of association and the effec-  
13                 tive recognition of the right to collective bar-  
14                 gaining.

15                 “(B) Elimination of all forms of forced or  
16                 compulsory labor.

17                 “(C) Effective abolition of child labor, a  
18                 prohibition on the worst forms of child labor,  
19                 and other labor protections for children and mi-  
20                 nors.

21                 “(D) Elimination of discrimination in re-  
22                 spect of employment and occupation.

23                 “(E) Acceptable conditions of work with  
24                 respect to minimum wages, hours of work, and  
25                 occupational safety and health.

1           “(4) Create or maintain, as well as implement  
2           and verifiably enforce—

3           “(A) domestic policies (including any in-  
4           vestments made possible by assistance provided  
5           under section 2(d) of the Clean Competition  
6           Act) which reduce the carbon intensity of its  
7           covered national industries in a magnitude  
8           greater than that which would feasibly be in-  
9           duced as a result of—

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

12           “(ii) similar fees on the emissions of  
13           greenhouse gasses associated with the pro-  
14           duction of imports levied by other coun-  
15           tries which are parties to such agreement,

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

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

22           “(D) policies that prevent such country  
23           from facilitating transshipment from other  
24           countries.

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

6           “(1) Reduction of global greenhouse gas emis-  
7 sions.

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

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

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

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

19           “(1) is not contributing to global industrial  
20 overcapacity (as determined by the United States  
21 Trade Representative, in coordination with other rel-  
22 evant parties), the charge which would otherwise be  
23 imposed under section 4692(a)(1) with respect to  
24 covered primary goods produced in a foreign coun-  
25 try, as well as any similar fees on the emissions of

1 greenhouse gasses associated with the production of  
2 imports levied by other countries which are parties  
3 to such agreement, may be waived, provided that  
4 such country establishes or maintains policies that  
5 reduce the emission of greenhouse gases from its  
6 covered national industries with commensurate effect  
7 as the carbon intensity charges imposed under sec-  
8 tion 4692(a)(2), and

9 “(2) has a low-income economy, lower-middle-  
10 income economy, or upper-middle-income economy  
11 (as determined based on classification of the econ-  
12 omy of such country by the World Bank), such  
13 country shall receive preference for assistance pro-  
14 vided under section 2(d) of the Clean Competition  
15 Act.

16 “(e) PHASE-IN.—

17 “(1) IN GENERAL.—Subject to paragraph (2),  
18 for purposes of any carbon club agreement under  
19 this section, a country may limit application of such  
20 agreement to certain covered national industries, in  
21 which case any requirements or benefits provided  
22 pursuant to such agreement shall be limited to such  
23 industries and any covered products produced by  
24 such industries.

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

6 **“SEC. 4695. DEFINITIONS.**

7           “For purposes of this subchapter—

8           “(1) ADMINISTRATOR.—The term ‘Adminis-  
9 trator’ means the Administrator of the Environ-  
10 mental Protection Agency.

11           “(2) BASELINE CARBON INTENSITY.—The term  
12 ‘baseline carbon intensity’ means, with respect to a  
13 covered national industry, the carbon intensity of the  
14 covered national industry in the United States for  
15 calendar year 2025.

16           “(3) CO<sub>2</sub>-E.—

17           “(A) IN GENERAL.—Subject to subpara-  
18 graph (B), the term ‘CO<sub>2</sub>-e’ means, with re-  
19 spect to a greenhouse gas, the quantity of such  
20 gas that has a global warming potential equiva-  
21 lent to 1 metric ton of carbon dioxide, as deter-  
22 mined pursuant to table A–1 of subpart A of  
23 part 98 of title 40, Code of Federal Regula-  
24 tions, as in effect on the date of the enactment  
25 of this subchapter.

1           “(B) METHANE.—In the case of methane,  
2           the term ‘CO<sub>2</sub>-e’ means the quantity of meth-  
3           ane that has the same global warming potential  
4           over a 20-year period as 1 metric ton of carbon  
5           dioxide, as determined by the Administrator in  
6           accordance with the findings of the most recent  
7           Assessment Report of the Intergovernmental  
8           Panel on Climate Change as of the date of en-  
9           actment of this subchapter.

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

12                   “(A) produces any covered primary good,  
13                   and

14                   “(B) is required to report emissions of  
15                   greenhouse gases under the Greenhouse Gas  
16                   Reporting Program (or would be required to re-  
17                   port such emissions notwithstanding any other  
18                   provision of law prohibiting the implementation  
19                   of or use of funds for such requirements).

20           “(5) COVERED NATIONAL INDUSTRY.—

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

- 1 “(i) 211120 (petroleum extraction).
- 2 “(ii) 211130 (natural gas extraction).
- 3 “(iii) 212114 or 212115 (coal min-
- 4 ing).
- 5 “(iv) 322110 (pulp mills).
- 6 “(v) 322120 (paper mills).
- 7 “(vi) 322130 (paperboard mills).
- 8 “(vii) 324110 (petroleum refineries).
- 9 “(viii) 324121 (asphalt paving mix-
- 10 ture and block manufacturing).
- 11 “(ix) 324122 (asphalt shingle and
- 12 coating materials manufacturing).
- 13 “(x) 324199 (all other petroleum and
- 14 coal products manufacturing).
- 15 “(xi) 325110 (petrochemical manufac-
- 16 turing).
- 17 “(xii) 325120 (industrial gas manu-
- 18 facturing).
- 19 “(xiii) 325193 (ethyl alcohol manufac-
- 20 turing).
- 21 “(xiv) 325199 (other basic organic
- 22 chemical manufacturing).
- 23 “(xv) 325311 (nitrogenous fertilizer
- 24 manufacturing).

1                   “(xvi) 327211, 327212, 327213, or  
2                   327215 (glass).

3                   “(xvii) 327310 (cement).

4                   “(xviii) 327410 or 327420 (lime and  
5                   gypsum product manufacturing).

6                   “(xix) 331110 (iron and steel).

7                   “(xx) 331313 or 331314 (aluminum).

8                   “(B) EXCEPTIONS.—

9                   “(i) INDUSTRIAL GAS MANUFAC-  
10                   TURING.—Subparagraph (A)(xii) shall  
11                   apply only with respect to the production  
12                   of hydrogen.

13                   “(ii) OTHER BASIC ORGANIC CHEM-  
14                   ICAL MANUFACTURING.—Subparagraph  
15                   (A)(xiv) shall apply only with respect to  
16                   the production of adipic acid.

17                   “(6) COUNTRY OF ORIGIN.—The term ‘country  
18                   of origin’ means, with respect to a covered primary  
19                   good, the country where an energy-intensive or emis-  
20                   sions-intensive process occurred that transformed  
21                   the inputs of the good into the covered primary  
22                   good.

23                   “(7) COVERED PRIMARY GOOD.—The term ‘cov-  
24                   ered primary good’ means any good which is pro-

1       duced as part of a trade or business operating with-  
2       in a covered national industry—

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

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

10              “(8) ELIGIBLE FACILITY.—The term ‘eligible  
11              facility’ means any facility (as such term is defined  
12              for purposes of the Greenhouse Gas Reporting Pro-  
13              gram) which is—

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

16              “(B) located within the United States.

17              “(9) FINISHED GOOD.—

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

24              “(i) for calendar years 2028 and  
25              2029—

1                   “(I) typically contains greater  
2 than 1,000 pounds of any combination  
3 of any covered primary goods, or

4                   “(II) is typically produced from  
5 inputs of any combination of covered  
6 primary goods, the combined value of  
7 which comprise more than 90 percent  
8 of the total value of the material in-  
9 puts involved in the production of  
10 such good,

11                   “(ii) for calendar years 2030 and  
12 2031—

13                   “(I) typically contains greater  
14 than 500 pounds of any combination  
15 of any covered primary goods, or

16                   “(II) is typically produced from  
17 inputs of any combination of covered  
18 primary goods, the value of which  
19 comprise more than 75 percent of the  
20 total value of the material inputs in-  
21 volved in the production of such good,  
22 and

23                   “(iii) for any calendar year after cal-  
24 endar year 2031—

1                   “(I) typically contains greater  
2                   than such amount as is determined by  
3                   the Secretary (as determined in co-  
4                   ordination with the relevant parties,  
5                   and which shall not be greater than  
6                   500 pounds) of any combination of  
7                   any covered primary goods, or

8                   “(II) is typically produced from  
9                   inputs of any combination of covered  
10                  primary goods, the value of which  
11                  comprise more than such percentage  
12                  as is determined by the Secretary (as  
13                  determined in coordination with the  
14                  relevant parties, and which shall not  
15                  be greater than 75 percent) of the  
16                  total value of the material inputs in-  
17                  volved in the production of such good.

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

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

1           “(11) GREENHOUSE GAS EMISSIONS.—The  
2 term ‘greenhouse gas emissions’ means the amount  
3 of greenhouse gases, expressed in metric tons of  
4 CO<sub>2</sub>-e, which were emitted to the atmosphere.

5           “(12) GREENHOUSE GAS REPORTING PRO-  
6 GRAM.—The term ‘Greenhouse Gas Reporting Pro-  
7 gram’ means the Greenhouse Gas Reporting Pro-  
8 gram established under part 98 of title 40, Code of  
9 Federal Regulations, as in effect on January 1,  
10 2025.

11           “(13) MARKET ECONOMY.—The term ‘market  
12 economy’ means any country which is not designated  
13 as a nonmarket economy country pursuant to section  
14 771(18) of the Tariff Act of 1930 (19 U.S.C.  
15 1677(18)).

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

18           “(15) REGIONAL GRID.—The term ‘regional  
19 grid’ means the smallest defined region of inter-  
20 connected power grid (including power generation  
21 assets) from which a facility draws power that ac-  
22 counts for the total power supplied to the facility by  
23 the grid and for which there is reliable data.

24           “(16) RELEVANT PARTIES.—The term ‘relevant  
25 parties’ means—



1                   ergy Independence and Security Act of  
2                   2007 (42 U.S.C. 17113(c)); and

3                   (ii) is designed to accelerate green-  
4                   house gas emissions reduction progress to  
5                   net-zero at an eligible facility, as deter-  
6                   mined by the Secretary.

7                   (C) **AMBITION LEVEL.**—The term “ambi-  
8                   tion level” means the level of reduction in car-  
9                   bon intensity described in each of subclauses (I)  
10                  through (III) of paragraph (3)(C)(iv).

11                  (D) **APPLICABLE FAIR MARKET VALUE.**—  
12                  The term “applicable fair market value”, with  
13                  respect to an eligible good, means the average  
14                  market dollar value of 1 unit of the relevant  
15                  quantity of that eligible good, as determined by  
16                  the Secretary using publicly available market  
17                  prices and other market data.

18                  (E) **BASELINE CARBON INTENSITY.**—The  
19                  term “baseline carbon intensity” has the mean-  
20                  ing given the term in section 4695 of the Inter-  
21                  nal Revenue Code of 1986 (as added by sub-  
22                  section (a)).

23                  (F) **BENCHMARK CARBON INTENSITY.**—  
24                  The term “benchmark carbon intensity”, with  
25                  respect to a covered primary good or eligible

1 good, means the carbon intensity of the covered  
2 national industry in the United States for that  
3 covered primary good or eligible good for the  
4 preceding calendar year.

5 (G) BEST-IN-CLASS CARBON INTENSITY.—  
6 The term “best-in-class carbon intensity”, with  
7 respect to any proposed eligible facility, means  
8 that the carbon intensity of such facility would  
9 be not greater than the carbon intensity of the  
10 existing facility with the lowest carbon intensity  
11 within the relevant covered national industry, as  
12 determined as of the date of the application for  
13 a grant under the program.

14 (H) CARBON INTENSITY.—The term “car-  
15 bon intensity” has the meaning given the term  
16 under section 4691(b)(1) of the Internal Rev-  
17 enue Code of 1986 (as added by subsection  
18 (a)).

19 (I) COVERED PRIMARY GOOD.—The term  
20 “covered primary good” has the meaning given  
21 the term in section 4695 of the Internal Rev-  
22 enue Code of 1986 (as added by subsection  
23 (a)).

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

4 (K) COVERED NATIONAL INDUSTRY.—The  
5 term “covered national industry” has the mean-  
6 ing given the term in section 4695 of the Inter-  
7 nal Revenue Code of 1986 (as added by sub-  
8 section (a)).

9 (L) ELIGIBLE ENTITY.—The term “eligible  
10 entity” means any person that operates an eli-  
11 gible facility or will operate a proposed eligible  
12 facility.

13 (M) ELIGIBLE FACILITY.—The term “eligi-  
14 ble facility” has the meaning given the term in  
15 section 4695 of the Internal Revenue Code of  
16 1986 (as added by subsection (a)).

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

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

24 (P) PRICE DISCOVERY.—The term “price  
25 discovery” means a process of determining the

1 true and accurate price of producing 1 unit of  
2 the relevant quantity of an eligible good using  
3 a unique production process.

4 (Q) RELEVANT QUANTITY.—The term  
5 “relevant quantity” has the meaning given the  
6 term under section 4691(b)(1)(E) of the Inter-  
7 nal Revenue Code of 1986 (as added by sub-  
8 section (a)).

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

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

14 (2) INVESTMENTS IN ADVANCED INDUSTRIAL  
15 TECHNOLOGY.—

16 (A) ESTABLISHMENT.—The Secretary  
17 shall establish a competitive program (referred  
18 to in this paragraph as the “program”) to  
19 award to eligible entities grants, rebates, or  
20 low-interest loans, as determined appropriate by  
21 the Secretary, to support investments in ad-  
22 vanced industrial technology, including in dedi-  
23 cated power generation and storage—

24 (i) in the case of an existing eligible  
25 facility, to reduce the carbon intensity of

1 the existing eligible facility by at least 20  
2 percent;

3 (ii) in the case of a proposed eligible  
4 facility, to ensure at least best-in-class car-  
5 bon intensity of that proposed eligible facil-  
6 ity, with a goal of achieving net-zero car-  
7 bon intensity; and

8 (iii) in the case of existing and pro-  
9 posed eligible facilities—

10 (I) to increase the technological  
11 and economic competitiveness of cov-  
12 ered national industries in the United  
13 States;

14 (II) to increase the viability and  
15 competitiveness of United States in-  
16 dustrial exports; and

17 (III) to achieve emissions reduc-  
18 tion in covered national industries.

19 (B) APPLICATION PROCESS.—The Sec-  
20 retary shall develop an application process for  
21 the program similar to the application process  
22 for the national grant program of the Adminis-  
23 trator under subtitle G of title VII of the En-  
24 ergy Policy Act of 2005 (42 U.S.C. 16131 et  
25 seq.).

- 1 (C) PREFERENCE.—In awarding funding  
2 under the program, the Secretary shall give  
3 preference to eligible entities—
- 4 (i) for projects that would—
- 5 (I) result in the greatest decrease  
6 in carbon intensity;
- 7 (II) support the demonstration  
8 and catalyze the deployment of first-  
9 of-a-kind technologies and processes;
- 10 (III) provide the greatest benefit  
11 for the greatest number of people  
12 within the area in which the eligible  
13 facility is located;
- 14 (IV) advance United States glob-  
15 al strategic interests;
- 16 (V) provide the greatest potential  
17 for direct and indirect domestic job  
18 creation; and
- 19 (VI) maximize improvement in  
20 local air quality; and
- 21 (ii) for facilities located in—
- 22 (I) economically distressed com-  
23 munities that have experienced a loss  
24 of manufacturing jobs; and

1 (II) communities with high cu-  
2 mulative pollution burdens, as deter-  
3 mined by the Administrator.

4 (D) COST SHARE.—The Secretary shall re-  
5 quire an eligible entity to provide not less than  
6 50 percent of the cost of a project carried out  
7 pursuant to the program.

8 (E) RECAPTURE OF FUNDS.—The Sec-  
9 retary shall recapture, pursuant to such regula-  
10 tions or other guidance issued by the Secretary,  
11 the funding awarded to an eligible entity if the  
12 eligible entity fails—

13 (i) within 3 years of the award of  
14 funding, to complete the proposed invest-  
15 ments or achieve an interim progress mile-  
16 stone agreed to with the Secretary; or

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

20 (I) in the case of an existing eli-  
21 gible facility, to achieve and maintain  
22 the reduction in carbon intensity pro-  
23 posed in the application; or

24 (II) in the case of a proposed eli-  
25 gible facility, to achieve and maintain

1 the best-in-class carbon intensity pro-  
2 posed in the application.

3 (F) OUTREACH.—The Secretary shall con-  
4 duct outreach—

5 (i) to notify the public about the pro-  
6 gram; and

7 (ii) to inform eligible entities of tech-  
8 nologies that can reduce facility carbon in-  
9 tensity or ensure best-in-class carbon in-  
10 tensity.

11 (3) CONTRACTS FOR DIFFERENCE.—

12 (A) ESTABLISHMENT.—The Secretary  
13 shall establish a program (referred to in this  
14 paragraph as the “program”) to enter into con-  
15 tracts for difference (referred to in this para-  
16 graph as “covered contracts”), on a competitive  
17 basis, with eligible entities for payment of costs  
18 associated with the production of eligible goods  
19 manufactured by those eligible entities—

20 (i) to accelerate the deployment of  
21 commercially available advanced industrial  
22 technology;

23 (ii) to demonstrate and advance the  
24 commercialization of first-of-a-kind ad-  
25 vanced industrial technology;

1 (iii) to increase the technological and  
2 economic competitiveness of covered na-  
3 tional industries in the United States;

4 (iv) to increase the viability and com-  
5 petitiveness of United States advanced in-  
6 dustrial technology exports; and

7 (v) to reduce the carbon intensity of  
8 covered national industries in the United  
9 States.

10 (B) ELIGIBLE GOODS.—

11 (i) IN GENERAL.—The Secretary shall  
12 determine which covered primary goods are  
13 eligible for covered contracts under the  
14 program.

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

18 (I) that contribute a greater pro-  
19 portion of total covered emissions re-  
20 lative to other covered primary goods  
21 in the same covered national industry;

22 (II) the market conditions for  
23 which are conducive to fair and com-  
24 petitive auctions;

1 (III) that have transparent and  
2 accurate price indices;

3 (IV) that face large marginal  
4 costs of decarbonization that cannot  
5 feasibly be equalized by the carbon in-  
6 tensity charge levied under section  
7 4692 of the Internal Revenue Code of  
8 1982 (as added by subsection (a));

9 (V) that provide the greatest po-  
10 tential for direct and indirect domestic  
11 job creation;

12 (VI) that are feasibly expected to  
13 continue to have robust market de-  
14 mand for the duration of the applica-  
15 ble covered contract; and

16 (VII) that have the greatest abil-  
17 ity to reduce hazardous local air qual-  
18 ity if awarded a covered contract.

19 (C) AUCTIONS.—

20 (i) IN GENERAL.—To award covered  
21 contracts under the program, the Secretary  
22 shall hold competitive auctions for each eli-  
23 gible goods class.

24 (ii) APPLICATION.—To participate in  
25 an auction under clause (i), an eligible en-

1                   tity shall submit to the Secretary an appli-  
2                   cation that includes—

3                   (I) a description of the eligible  
4                   goods covered under the proposed cov-  
5                   ered contract;

6                   (II) information on any existing  
7                   or proposed facilities that will produce  
8                   the eligible goods covered under the  
9                   proposed covered contract, including  
10                  location, employment numbers, and  
11                  any planned or ongoing investments in  
12                  or retrofits of the facilities;

13                  (III) a description of the method  
14                  of production, including technologies  
15                  and feedstocks, that will be used to  
16                  manufacture the eligible goods covered  
17                  under the proposed covered contract;

18                  (IV) the details of any invest-  
19                  ments or retrofits required to produce  
20                  the eligible goods covered under the  
21                  proposed covered contract, including  
22                  the construction of new facilities;

23                  (V) the expected carbon intensity  
24                  of the eligible goods covered under the  
25                  proposed covered contract for each

1 year of the duration of the proposed  
2 covered contract;

3 (VI) the proposed strike price of  
4 the eligible goods covered under the  
5 proposed covered contract;

6 (VII) the expected annual pro-  
7 duction volume (expressed in the rel-  
8 evant quantity) of the eligible goods  
9 covered under the proposed covered  
10 contract for each year of the proposed  
11 covered contract; and

12 (VIII) any other information de-  
13 termined necessary by the Secretary.

14 (iii) ELIGIBLE GOODS CLASS.—

15 (I) IN GENERAL.—For each auc-  
16 tion under clause (i), the Secretary  
17 shall assign each eligible good to an  
18 eligible goods class, which may com-  
19 prise a single eligible good or multiple  
20 eligible goods.

21 (II) CLASS OF MULTIPLE ELIGI-  
22 BLE GOODS.—In determining the eli-  
23 gible goods that shall be grouped into  
24 a single eligible goods class for pur-

1 poses of an auction under clause (i),  
2 the Secretary shall—

3 (aa) only group eligible  
4 goods that can reasonably com-  
5 pete with each other for market  
6 share in the economy and on the  
7 basis of carbon intensity in the  
8 auction; and

9 (bb) prioritize the creation  
10 of eligible goods classes that are  
11 conducive to fair and competitive  
12 auctions.

13 (III) BENCHMARK CARBON IN-  
14 TENSITY.—The benchmark carbon in-  
15 tensity for an eligible goods class with  
16 eligible goods from multiple covered  
17 national industries shall be the mean  
18 benchmark carbon intensity of those  
19 covered national industries (after con-  
20 verting to the same relevant quantity,  
21 if necessary).

22 (iv) AMBITION LEVEL.—If the Sec-  
23 retary determines that there are conditions  
24 to support sufficient auction competitive-  
25 ness, the Secretary may hold separate auc-

1 tions within an eligible goods class for  
2 projects that yield each of the following  
3 percentages of reduction in carbon inten-  
4 sity:

5 (I) A reduction in carbon inten-  
6 sity from benchmark carbon intensity  
7 of not less than 20 percent but not  
8 more than 50 percent.

9 (II) A reduction in carbon inten-  
10 sity from benchmark carbon intensity  
11 of not less than 50 percent but not  
12 more than 80 percent.

13 (III) A reduction in carbon inten-  
14 sity from benchmark carbon intensity  
15 of more than 80 percent.

16 (v) SELECTION.—The Secretary shall  
17 determine the winners of each auction  
18 under clause (i) by selecting projects in  
19 rank order from the lowest to the highest  
20 value of the quotient obtained by divid-  
21 ing—

22 (I) the expected per-unit payment  
23 amount described in subparagraph  
24 (F)(ii)(II), which shall be determined  
25 by the Secretary using the proposed

1 strike price of the eligible entity and  
2 the fair market value at the time of  
3 auction; by

4 (II) an amount equal to the dif-  
5 ference between—

6 (aa) the benchmark carbon  
7 intensity; and

8 (bb) the carbon intensity of  
9 the eligible good under the pro-  
10 posed covered contract.

11 (vi) ADMINISTRATION.—

12 (I) IN GENERAL.—The Secretary  
13 shall design and manage competitive  
14 auctions under clause (i) to maximize  
15 fairness, competitiveness, accurate  
16 price discovery, and the most efficient  
17 utilization of public funds to achieve  
18 reductions in carbon intensity and the  
19 other goals of the program.

20 (II) AUCTION BUDGET.—The  
21 Secretary shall establish a budget for  
22 each auction held under the program.

23 (D) REQUIREMENTS.—

24 (i) CARBON INTENSITY REDUCTION.—

25 Each covered contract awarded under the

1 program shall be required to achieve at  
2 least a 20 percent reduction in carbon in-  
3 tensity as compared to the benchmark car-  
4 bon intensity on the date of commence-  
5 ment of the contract.

6 (ii) LABOR.—An eligible entity award-  
7 ed a covered contract under the program  
8 shall be required—

9 (I) to pay prevailing wages for  
10 any work performed, including for the  
11 execution of any investments or retro-  
12 fits necessary to produce the applica-  
13 ble eligible goods; and

14 (II) to establish a community  
15 benefits agreement in conjunction  
16 with the production of the applicable  
17 eligible goods, including the execution  
18 of any investments or retrofits nec-  
19 essary to produce those eligible goods.

20 (E) CONTRACT TERMS.—Each covered  
21 contract under the program shall include the  
22 following:

23 (i) A description of the project under  
24 the covered contract, including—

1 (I) details on the eligible goods,  
2 including relevant distinguishing  
3 qualities and properties and the meth-  
4 odology of producing those eligible  
5 goods;

6 (II) the execution of any invest-  
7 ments or retrofits necessary to  
8 produce those eligible goods; and

9 (III) performance requirements  
10 for the project and procedures and  
11 penalties if those requirements are not  
12 met.

13 (ii) The maximum payment amount  
14 determined pursuant to subparagraph  
15 (F)(iv).

16 (iii) The expected carbon intensity of  
17 each eligible good covered under the cov-  
18 ered contract, estimated for each year of  
19 the duration of the covered contract.

20 (iv) The strike price for each eligible  
21 good under the covered contract, including  
22 any procedures for adjusting the strike  
23 price over time, pursuant to subparagraph  
24 (F)(iii).

1 (v) The methods and data sources to  
2 be used for calculating covered emissions  
3 and the applicable fair market value of eli-  
4 gible goods, as established by the Sec-  
5 retary.

6 (vi) Details of the community benefits  
7 agreement established pursuant to sub-  
8 paragraph (D)(ii)(II).

9 (vii) The duration of the covered con-  
10 tract, subject to any early termination  
11 rules established by the Secretary.

12 (viii) Any other terms determined nec-  
13 essary by the Secretary.

14 (F) PAYMENTS.—

15 (i) IN GENERAL.—Under each covered  
16 contract entered into under the program,  
17 the Secretary shall make at least 1 pay-  
18 ment annually.

19 (ii) AMOUNT.—The amount of a pay-  
20 ment under clause (i), with respect to an  
21 eligible good produced by an eligible entity  
22 over a designated period of time, as deter-  
23 mined by the Secretary, shall equal the  
24 product obtained by multiplying—

1 (I) the quantity of the eligible  
2 good (expressed in the relevant quan-  
3 tity) produced by the eligible entity  
4 during the designated period of time;  
5 and

6 (II) the per-unit payment  
7 amount, which shall be the difference  
8 between—

9 (aa) the strike price; and

10 (bb) the average applicable  
11 fair market value of the same eli-  
12 gible good during the designated  
13 period of time, as determined by  
14 the Secretary.

15 (iii) DYNAMIC INDEXING.—The Sec-  
16 retary shall adjust the strike price estab-  
17 lished in each covered contract over time to  
18 account for—

19 (I) inflation; and

20 (II) changes in the cost of key in-  
21 puts to the production of the eligible  
22 good, as determined by the Secretary,  
23 including, at a minimum—

24 (aa) natural gas;

25 (bb) hydrogen; and

1 (cc) electricity.

2 (iv) MAXIMUM PAYMENT AMOUNT.—

3 For each covered contract under the pro-  
4 gram, the Secretary shall establish a max-  
5 imum amount that may be paid under that  
6 covered contract, which amount—

7 (I) takes into consideration ex-  
8 pected levels of—

9 (aa) the quantity of eligible  
10 goods covered under the covered  
11 contract (expressed in the rel-  
12 evant quantity) produced over  
13 the duration of the covered con-  
14 tract; and

15 (bb) the per-unit payment  
16 amount described in clause  
17 (ii)(II);

18 (II) maximizes the deployment of  
19 available appropriations and the  
20 achievement of the goals of the pro-  
21 gram; and

22 (III) ensures that obligated ex-  
23 penditures do not exceed available ap-  
24 propriations.

1 (G) PENALTIES.—The Secretary may im-  
2 pose financial and other penalties on any eligi-  
3 ble entity that fails to meet the performance re-  
4 quirements established by the Secretary for the  
5 covered contract of that eligible entity.

6 (H) PUBLIC NOTICE.—Not later than 180  
7 days before each auction is held under the pro-  
8 gram, the Secretary shall publish guidance on  
9 the auction process, including—

10 (i) the timeline and selection process;

11 (ii) a list of eligible goods, eligible  
12 goods classes, and ambition levels, if appli-  
13 cable;

14 (iii) the auction budget for each eligi-  
15 ble goods class and ambition level, if appli-  
16 cable;

17 (iv) the benchmark carbon intensity  
18 for each eligible goods class;

19 (v) the applicable fair market value  
20 for each eligible goods class, measured as  
21 the average applicable fair market value  
22 over the preceding 12 months; and

23 (vi) any additional information needed  
24 to facilitate a fair and competitive auction,  
25 as determined by the Secretary.

1 (I) RULEMAKING.—

2 (i) IN GENERAL.—The Secretary  
3 shall—

4 (I) not later than 1 year after the  
5 date of enactment of this Act, promul-  
6 gate rules for the implementation of  
7 the program; and

8 (II) update those rules at least  
9 once every 5 years thereafter.

10 (ii) EFFECT ON CONTRACTS.—Any  
11 update made under clause (i)(II) shall not  
12 apply to covered contracts under the pro-  
13 gram in effect before the date of effective-  
14 ness of the update.

15 (4) EMISSIONS REDUCTION GOAL.—In awarding  
16 funding under the covered programs, the Secretary  
17 shall seek to keep the aggregate carbon intensity of  
18 each covered national industry in the United States  
19 below the value of the applicable percentage of the  
20 baseline carbon intensity for that covered national  
21 industry.

22 (5) ALLOCATION OF FUNDING.—In awarding  
23 funding under the covered programs, the Secretary  
24 shall, to the maximum extent practicable, allocate  
25 funds to eligible entities that produce covered pri-

1       mary goods that are included within a covered na-  
2       tional industry in approximate proportion to the  
3       share of total greenhouse gas emissions that the cov-  
4       ered national industry is responsible for emitting.

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

8           (7) EVALUATION AND REPORT.—Not later than  
9       January 1, 2032, the Secretary shall submit to Con-  
10      gress a report evaluating the efficacy of the covered  
11      programs.

12          (8) APPROPRIATIONS.—

13           (A) IN GENERAL.—For fiscal year 2027  
14      and each subsequent fiscal year, in addition to  
15      amounts otherwise available, there are appro-  
16      priated, out of any funds in the Treasury not  
17      otherwise appropriated, to the Secretary to  
18      carry out this subsection an amount equal to  
19      the amount determined under subparagraph  
20      (B) with respect to such fiscal year.

21          (B) APPROPRIATION.—

22           (i) FISCAL YEAR 2027.—For fiscal  
23      year 2027, the amount appropriated for  
24      purposes of paragraph (2) shall be  
25      \$75,000,000,000.

1 (ii) SUBSEQUENT FISCAL YEARS.—

2 For fiscal year 2028 and each subsequent  
3 fiscal year, the amount appropriated for  
4 purposes of paragraph (2) shall be equal to  
5 the applicable amount (as determined  
6 under subparagraph (C)) for the preceding  
7 fiscal year.

8 (C) APPLICABLE AMOUNT.—For purposes  
9 of this paragraph, the term “applicable  
10 amount” means—

11 (i) for any fiscal year beginning prior  
12 to the date on which the Secretary of the  
13 Treasury determines the total increase in  
14 revenues to the Treasury by reason of the  
15 application of subchapter E of chapter 38  
16 of the Internal Revenue Code of 1986 (as  
17 added by subsection (a)) is equal to or  
18 greater than \$100,000,000,000, \$0; or

19 (ii) with respect to any fiscal year be-  
20 ginning after the date described in clause  
21 (i), an amount equal to 25 percent of the  
22 increase in revenues to the Treasury dur-  
23 ing such fiscal year by reason of the appli-  
24 cation of subchapter E of chapter 38 of

1                   the Internal Revenue Code of 1986 (as  
2                   added by subsection (a)).

3           (d) ECONOMIC SUPPORT FUND OF DEPARTMENT OF  
4 STATE.—

5           (1) IN GENERAL.—For fiscal year 2027 and  
6           each subsequent fiscal year, in addition to amounts  
7           otherwise available, there are appropriated, out of  
8           any funds in the Treasury not otherwise appro-  
9           priated, to the Department of State an amount  
10          equal to the amount determined under paragraph  
11          (2) with respect to such fiscal year, with such  
12          amount to be made available for bilateral and multi-  
13          lateral assistance to support climate and clean en-  
14          ergy programs.

15          (2) PREFERENCE.—In providing assistance  
16          under paragraph (1), the Secretary of State (in con-  
17          junction with the Secretary of the Treasury, the Sec-  
18          retary of Energy, and the Administrator of the En-  
19          vironmental Protection Agency) shall allocate such  
20          assistance in a manner which prioritizes the fol-  
21          lowing goals in the following order of importance:

22                  (A) Facilitating the negotiation of carbon  
23                  club agreements pursuant to section 4694 of  
24                  the Internal Revenue Code of 1986 (as added  
25                  by subsection (a)).

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

3 (C) Maximizing the reduction of global  
4 greenhouse gas emissions.

5 (D) Securing access for the United States  
6 to materials and inputs necessary to manufac-  
7 ture products with lower carbon intensity, par-  
8 ticularly those that are not feasibly produced  
9 domestically.

10 (E) Supporting human development and  
11 reductions in poverty.

12 (F) Advancing the national security and  
13 diplomatic interests of the United States.

14 (3) APPROPRIATION.—

15 (A) FISCAL YEAR 2027.—For fiscal year  
16 2027, the amount appropriated for purposes of  
17 paragraph (1) shall be \$25,000,000,000.

18 (B) SUBSEQUENT FISCAL YEARS.—For fis-  
19 cal year 2028 and each subsequent fiscal year,  
20 the amount appropriated for purposes of para-  
21 graph (1) shall be equal to the applicable  
22 amount (as determined under paragraph (4))  
23 for the preceding fiscal year.

1           (4) APPLICABLE AMOUNT.—For purposes of  
2 this subsection, the term “applicable amount”  
3 means—

4           (A) for any fiscal year beginning prior to  
5 the date on which the Secretary of the Treasury  
6 determines the total increase in revenues to the  
7 Treasury by reason of the application of sub-  
8 chapter E of chapter 38 of the Internal Rev-  
9 enue Code of 1986 (as added by subsection (a))  
10 is equal to or greater than \$100,000,000,000,  
11 \$0, or

12           (B) with respect to any fiscal year begin-  
13 ning after the date described in subparagraph  
14 (A), an amount equal to 25 percent of the in-  
15 crease in revenues to the Treasury during such  
16 fiscal year by reason of the application of sub-  
17 chapter E of chapter 38 of the Internal Rev-  
18 enue Code of 1986 (as added by subsection  
19 (a)).