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(Original Signature of Member)

113TH CONGRESS
2D SESSION

H. R.

To amend the Internal Revenue Code of 1986 to reduce greenhouse gas emissions by requiring a Federal emission permit for the sale or use of covered substances and to return funds to the American people.

IN THE HOUSE OF REPRESENTATIVES

Mr. McDERMOTT introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to reduce greenhouse gas emissions by requiring a Federal emission permit for the sale or use of covered substances and to return funds to the American people.

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 “Managed Carbon Price
5 Act of 2014”.

1 **SEC. 2. GREENHOUSE GAS EMISSION SUBSTANCES.**

2 (a) IN GENERAL.—The Internal Revenue Code of
3 1986 is amended by adding at the end the following:

4 **“Subtitle L—Greenhouse Gas**
5 **Emission Substances**

“Sec. 9901. Condition precedent to sale or use of greenhouse gas emission sub-
stance.

“Sec. 9902. Federal emission permit.

“Sec. 9903. Definitions.

“Sec. 9904. Information reporting requirements.

“Sec. 9905. Regulations.

6 **“SEC. 9901. CONDITION PRECEDENT TO SALE OR USE OF**
7 **GREENHOUSE GAS EMISSION SUBSTANCE.**

8 “(a) IN GENERAL.—No covered person may sell any
9 greenhouse gas emission substance except pursuant to a
10 Federal emission permit for each carbon dioxide equiva-
11 lent that the Administrator of the Environmental Protec-
12 tion Agency determines would be emitted from the com-
13 bustion or other greenhouse gas emitting use of such sub-
14 stance.

15 “(b) COVERED PERSON.—For purposes of this sub-
16 title, the term ‘covered person’ means—

17 “(1) in the case of coal (including lignite and
18 peat) produced from a mine in the United States,
19 the producer of such coal,

20 “(2) in the case of crude oil or petroleum prod-
21 ucts received at a United States refinery, the oper-
22 ator of the United States refinery,

1 “(3) in the case of natural gas, the first seller
2 of such natural gas,

3 “(4) in the case of any greenhouse gas emission
4 substance not described in paragraph (1), (2), or (3)
5 produced in the United States, the producer of such
6 substance, and

7 “(5) in the case of any greenhouse gas emission
8 substance entered into the United States for con-
9 sumption, use, or warehousing, the person entering
10 such substance for consumption, use, or
11 warehousing.

12 “(c) USE TREATED AS SALE.—

13 “(1) IN GENERAL.—If any person uses a green-
14 house gas emission substance before the first retail
15 sale of such substance, then such person shall be lia-
16 ble for the purchase of a Federal emission permit
17 under section 9902 in the same manner as if such
18 substance were sold at retail on the date of such use
19 by such person pursuant to a Federal emission per-
20 mit.

21 “(2) EXEMPTION FOR USE IN FURTHER MANU-
22 FACTURE.—Paragraph (1) shall not apply to use of
23 a greenhouse gas emission substance as material in
24 the manufacture or production of, or as a component

1 part of, another article to be manufactured or pro-
2 duced by such person.

3 “(d) EXCEPTIONS.—Subsection (a) shall not apply
4 to—

5 “(1) a greenhouse gas emission substance to be
6 used for noncombustion agricultural purposes, or

7 “(2) a greenhouse gas emission substance with
8 respect to which a Federal emission permit has pre-
9 viously been purchased.

10 “(e) IMPORTATION OF CARBON INTENSIVE GOODS.—

11 “(1) GREENHOUSE GAS EMISSION PERMIT
12 EQUIVALENCY FEES.—The Secretary shall impose a
13 greenhouse gas emission permit equivalency fee on
14 imports of carbon intensive goods that shall be
15 equivalent to the cost that domestic producers of
16 comparable carbon intensive goods incur as a result
17 of—

18 “(A) permit fees paid by covered persons
19 for greenhouse gas emission substances under
20 this section, and

21 “(B) greenhouse gas emission permit
22 equivalency fees paid by importers of carbon in-
23 tensive goods used in the production of the
24 comparable carbon intensive goods in question.

1 “(2) EXPIRATION.—Paragraph (1) and section
2 6433(b) shall cease to have effect at such time as
3 and to the extent that—

4 “(A) an international agreement requiring
5 countries that emit greenhouse gases and
6 produce carbon intensive goods for international
7 markets to adopt equivalent measures comes
8 into effect, and

9 “(B) the country of export has imple-
10 mented equivalent measures, and the actions
11 provided for by paragraph (1) and section
12 6433(b) are no longer appropriate.

13 **“SEC. 9902. FEDERAL EMISSION PERMIT.**

14 “(a) IN GENERAL.—The Secretary shall, subject to
15 subsection (d), issue Federal emission permits, as provided
16 for in this subtitle. A Federal emission permit may only
17 be obtained upon making payment to the Secretary.

18 “(b) RULES RELATING TO PERMITS.—For purposes
19 of this subtitle—

20 “(1) Each Federal emission permit shall be de-
21 nominated in one-quarter carbon dioxide equivalents.

22 “(2) A Federal emission permit may only be
23 purchased within fourteen calendar days before or
24 after a greenhouse gas emission substance is pro-

1 duced or entered into the United States, as the case
2 may be.

3 “(3) Except as provided in subsection (a), a
4 Federal emission permit may not be sold, exchanged,
5 or otherwise transferred.

6 “(c) PERMIT PRICE.—

7 “(1) IN GENERAL.—The Secretary, after con-
8 sultation with the Administrator of the Environ-
9 mental Protection Agency and the Secretary of En-
10 ergy, shall establish the price of obtaining a Federal
11 emission permit for a calendar year based on a de-
12 termination of the dollar amount necessary to meet
13 the emissions reductions targets specified in sub-
14 section (d).

15 “(2) 5-YEAR PRICE SCHEDULE.—

16 “(A) IN GENERAL.—Not later than Janu-
17 ary 1, 2016, the Secretary shall publish a
18 schedule of the prices determined under para-
19 graph (1) for obtaining a Federal emission per-
20 mit during each of the five years from 2017 to
21 2021. The Secretary shall publish the price for
22 obtaining a Federal emission permit in each
23 year after 2020 no later than five years before
24 January 1 of the applicable year.

1 “(B) REDUCTION IN PRICE IF TARGET RE-
2 DUCTIONS BEING EXCEEDED.—If the Secretary
3 determines—

4 “(i) that greenhouse gas emissions are
5 being reduced at a rate that exceeds the
6 reduction expected in national greenhouse
7 gas emissions for the year, and

8 “(ii) that the Federal permit price can
9 be reduced while still attaining the national
10 greenhouse gas emission target reductions
11 specified in subsection (d) for the year,
12 the Secretary may, at any time before the be-
13 ginning of the year, reduce the Federal permit
14 price for that year.

15 “(3) INCREASE IN PRICE IF TARGET REDUC-
16 TIONS NOT BEING MET.—If the Secretary deter-
17 mines that the reduction of greenhouse gas emis-
18 sions is failing to meet the target reductions speci-
19 fied in subsection (d) for a year in such period, the
20 Secretary may increase the Federal permit price for
21 permits no earlier than 2 years after the year for
22 which the determination is made.

23 “(4) MAXIMUM AND MINIMUM PRICE.—

24 “(A) IN GENERAL.—Not later than Janu-
25 ary 1, 2023, and every 10 years thereafter, the

1 Secretary, after consultation with the Adminis-
 2 trator of the Environmental Protection Agency
 3 and the Secretary of Energy, shall publish a
 4 10-year schedule of the minimum and max-
 5 imum prices for Federal emissions permits.

6 “(B) PRICES SPECIFIED.—The maximum
 7 and minimum price for a Federal emission per-
 8 mit issued by the Secretary in a year may not
 9 be below the minimum price or the maximum
 10 price for the corresponding year specified in the
 11 following table:

“Year:	Minimum Price is:	Maximum Price is:
2015	\$6.25	\$18.75
2016	\$18.75	\$31.25
2017	\$31.25	\$43.75
2018	\$43.75	\$56.25
2019	\$56.25	\$68.75
2020	\$68.75	\$82.25
2021	\$81.25	\$93.75
2022	\$93.75	\$106.25
2023	\$106.25	\$118.75
2024	\$118.75	\$131.25.

12 “(C) ADJUSTMENT FOR INFLATION.—In
 13 the case of any calendar year beginning after
 14 2015, each dollar amount contained in the table
 15 in subparagraph (B) shall be increased by an
 16 amount equal to—

- 17 “(i) such dollar amount, multiplied by
- 18 “(ii) the cost of living adjustment de-
- 19 termined under section 1(f)(3) for the cal-
- 20 endar year, determined by substituting

1 ‘calendar year 2014’ for ‘calendar year
2 1992’ in subparagraph (B) thereof.

3 “(d) NATIONAL LIMITATION.—

4 “(1) TARGETS.—For purposes of this section—

5 “(A) 2015 THROUGH 2019.—The average
6 emissions for the period 2015 through 2019
7 shall be no more than the carbon dioxide
8 equivalents emitted in the United States in
9 2005.

10 “(B) 2025 THROUGH 2029.—The average
11 emissions for the period 2025 through 2029
12 shall be no more than 70 percent of the carbon
13 dioxide equivalents emitted in the United States
14 in 2005.

15 “(C) 2035 THROUGH 2039.—The average
16 emissions for the period 2035 through 2039
17 shall be no more than 50 percent of the carbon
18 dioxide equivalents emitted in the United States
19 in 2005.

20 “(D) 2045 THROUGH 2049.—The average
21 emissions for the period 2045 through 2049
22 shall be no more than 30 percent of the carbon
23 dioxide equivalents emitted in the United States
24 in 2005.

1 “(E) 2055 THROUGH 2059.—The average
2 emissions for the period 2055 through 2059
3 shall be no more than 20 percent of the carbon
4 dioxide equivalents emitted in the United States
5 in 2005.

6 “(2) DETERMINATION OF 2005 LEVELS.—For
7 purposes of subparagraph (A), the number of metric
8 tons of carbon dioxide equivalents emitted in the
9 United States in 2005 shall be the number deter-
10 mined under section 1605(a) of the Energy Policy
11 Act of 1992 and published by the Energy Informa-
12 tion Administration.

13 “(e) REPORT.—

14 “(1) IN GENERAL.—Not later than the second
15 March 1 after the date of the enactment of the Man-
16 aged Carbon Price Act of 2014, and annually there-
17 after, the Secretary shall publish a report describ-
18 ing—

19 “(A) the extent to which the United States
20 greenhouse gas emission limitations specified
21 under subsection (d) are being achieved,

22 “(B) the United States greenhouse gas
23 emission permits sold during the previous cal-
24 endar year and the impact of the number of

1 such permits on greenhouse gas emissions in
2 the United States, and

3 “(C) the total greenhouse gas emissions
4 worldwide for the previous calendar year in re-
5 lation to such emissions for 2005.

6 “(2) REPORT DETAILS.—Such report shall in-
7 clude—

8 “(A) an explanation of the methodology
9 and assumptions the Secretary has used in es-
10 tablishing prices under this section, and

11 “(B) an estimation, or range of esti-
12 mations, of the price of permits for the 10-year
13 period following the current prices published
14 under subsection (c).

15 **“SEC. 9903. DEFINITIONS.**

16 “(a) IN GENERAL.—For purposes of this subtitle—

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

20 “(2) CARBON DIOXIDE EQUIVALENT.—The
21 term ‘carbon dioxide equivalent’ means, for each
22 greenhouse gas emission substance, the quantity of
23 the greenhouse gas emission substance that the Ad-
24 ministrator determines makes the same contribution
25 to global warming as 1 metric ton of carbon dioxide.

1 “(3) GREENHOUSE GAS EMISSION SUB-
2 STANCE.—The term ‘greenhouse gas emission sub-
3 stance’ means—

4 “(A) coal (including lignite, peat, and de-
5 rivatives of coal), to be used as a combustion
6 fuel,

7 “(B) petroleum and any petroleum prod-
8 uct, to be used as a combustion fuel,

9 “(C) natural gas (including the gasses re-
10 leased as a result of flaring or venting such nat-
11 ural gas),

12 “(D) methane,

13 “(E) nitrous oxide,

14 “(F) sulfur hexafluoride,

15 “(G) a perfluorocarbon,

16 “(H) a hydrofluorocarbon, and

17 “(I) any other substance that is deter-
18 mined by the Administrator to contribute to
19 global warming to a nonnegligible degree.

20 “(4) FEDERAL EMISSION PERMIT.—The term
21 ‘Federal emission permit’ means a permit required
22 under section 9901.

23 “(5) CARBON INTENSIVE GOOD.—The term
24 ‘carbon intensive good’ means—

1 “(A)(i) iron, steel, any steel mill product
2 (including pipe and tube), aluminum, cement,
3 glass (including flat, container, and specialty
4 glass and fiberglass), pulp, paper, chemicals,
5 and industrial ceramics, and

6 “(ii) any other manufactured product that
7 the Secretary determines—

8 “(I) is sold for purposes of further
9 manufacture, and

10 “(II) generates, in the course of the
11 manufacture of the product, direct and in-
12 direct greenhouse gas emissions that are
13 comparable (on an emissions per dollar of
14 output basis) to emissions generated in the
15 manufacture or production of a good iden-
16 tified in clause (i), and

17 “(B) a manufactured item in which one or
18 more goods identified under subparagraph (A)
19 are inputs and the cost of production of which
20 in the United States the Secretary determines
21 is significantly increased by this subtitle.

22 “(6) PETROLEUM PRODUCT.—The term ‘petro-
23 leum product’ has the meaning given such term in
24 section 4612(a)(3).

1 “(b) IDENTIFICATION OF CARBON INTENSIVE
2 GOODS.—The determinations by the Secretary required by
3 subsection (a)(5) shall be by rule.

4 “(c) PUBLICATION OF SCHEDULE.—Not later than
5 one year after the date of the enactment of the Managed
6 Carbon Price Act of 2014, the Administrator, in consulta-
7 tion with the Secretary and the Secretary of Energy, shall
8 publish a schedule listing each greenhouse gas emission
9 substance and the quantity of each substance required to
10 make 1 metric ton of carbon dioxide. The Administrator,
11 in consultation with the Secretary and the Secretary of
12 Energy, may update such schedule from time to time.

13 **“SEC. 9904. INFORMATION REPORTING REQUIREMENTS.**

14 “Secretary may solicit information from covered per-
15 sons regarding estimated future use of greenhouse gas
16 emissions substances.

17 **“SEC. 9905. REGULATIONS.**

18 “‘The Secretary shall issue such regulations as may
19 be necessary or appropriate to carry out this subtitle, in-
20 cluding regulations relating to the timely and efficient
21 issuance of permits and collection of payments for such
22 permits.’”.

23 (b) REFUND OF FEDERAL EMISSION PERMIT FEE.—
24 Subchapter B of chapter 65 of such Code is amended by
25 adding at the end the following new section:

1 **“SEC. 6433. REFUNDS OF FEDERAL EMISSION PERMIT FEE**
2 **FOR CERTAIN USES.**

3 “(a) IN GENERAL.—If a Federal emission permit has
4 been acquired with respect to a greenhouse gas emission
5 substance pursuant to section 9902 and the acquirer of
6 such permit uses such substance in a manner that will
7 make a negligible or no contribution to global warming,
8 as determined by the Secretary in consultation with the
9 Administrator of the Environmental Protection Agency,
10 the Secretary shall pay (without interest) to the acquirer
11 of such substance pursuant to such permit an amount
12 equal to the amount paid for the applicable Federal emis-
13 sion permit.

14 “(b) PAYMENTS TO EXPORTERS.—The Secretary
15 shall pay (without interest) to the exporter of a carbon
16 intensive good (as defined in section 9903(5)) produced
17 in the United States an amount equal to the cost that
18 domestic producers of such carbon intensive goods incur
19 as a result of—

20 “(1) the dollar amount paid by covered persons
21 for Federal emission permits for greenhouse gas
22 emission substances under this section 9902, and

23 “(2) greenhouse gas emission permit equiva-
24 lency fees paid under section 9901(e) by importers
25 of carbon intensive goods used in the production of
26 the comparable carbon intensive goods in question.”.

1 (c) FAILURE TO OBTAIN PERMIT.—Chapter 38 of
2 the Internal Revenue Code of 1986 is amended by adding
3 at the end the following new subchapter:

4 **“Subchapter E—Greenhouse Gas Emission**
5 **Substances**

“Sec. 4691. Greenhouse gas emission substances.

6 **“SEC. 4691. GREENHOUSE GAS EMISSION SUBSTANCES.**

7 “(a) IMPOSITION OF TAX.—There is hereby imposed
8 on any covered person who fails to obtain a Federal emis-
9 sion permit pursuant to subtitle L a tax equal to 100 per-
10 cent of the dollar amount of the fee that would have been
11 charged for such permit but for such failure.

12 “(b) COVERED PERSON.—The term ‘covered person’
13 has the meaning given such term by section 9901(b).

14 “(c) FEDERAL EMISSION PERMIT.—The term ‘Fed-
15 eral emission permit’ means a permit required under sec-
16 tion 9901.

17 “(d) COORDINATION.—The tax imposed under this
18 section is in addition to the fee imposed under subtitle
19 L.”.

20 (d) ESTABLISHMENT OF ENERGY AND ECONOMIC
21 SECURITY TRUST FUND.—

22 (1) FINDING.—The Congress finds that revenue
23 generated from the sale of Federal emission permits
24 must be recycled into the American economy—

1 (A) to facilitate economic growth and clean
2 energy production, and

3 (B) to protect the economic security of
4 American families and communities.

5 (2) ESTABLISHMENT OF TRUST FUND.—Sub-
6 chapter A of chapter 98 of such Code (relating to
7 trust fund code) is amended by adding at the end
8 the following:

9 **“SEC. 9512. ENERGY AND ECONOMIC SECURITY TRUST**
10 **FUND.**

11 “(a) CREATION OF TRUST FUND.—There is estab-
12 lished in the Treasury of the United States a trust fund
13 to be known as the ‘Energy and Economic Security Trust
14 Fund’ (referred to in this section as the ‘Trust Fund’),
15 consisting of such amounts as may be appropriated or
16 credited to the Trust Fund as provided in this section or
17 section 9602(b).

18 “(b) TRANSFERS TO TRUST FUND.—There is hereby
19 appropriated to the Trust Fund an amount equivalent to
20 the amounts received in the Treasury pursuant to subtitle
21 L.

22 “(c) EXPENDITURES FROM TRUST FUND.—

23 “(1) IN GENERAL.—The Secretary shall pay
24 monthly from the Trust Fund the dividend amount
25 to each taxpayer.

1 “(2) DIVIDEND AMOUNT.—For purposes of
2 paragraph (1), the term ‘dividend amount’ means
3 the sum of—

4 “(A)(i) in the case of the taxpayer filing a
5 joint return, the individual share for the hus-
6 band and the individual share for the wife, and

7 “(ii) in the case of a taxpayer other than
8 a taxpayer described in subparagraph (A), the
9 individual share, and

10 “(B) in the case of an individual who is a
11 dependent (as defined in section 152) of the
12 taxpayer, $\frac{1}{2}$ of the individual share.

13 For purposes of subparagraph (B), not more than 2
14 dependents may be taken into account for each tax-
15 payer.

16 “(3) INDIVIDUAL SHARE.—For purposes of this
17 subsection, the term ‘individual share’ means the
18 amount determined by the Secretary by dividing the
19 total amount deposited in the Trust Fund for the
20 month by the total number of individual shares pay-
21 able at the end of such month.

22 “(4) LIMITATION.—For purposes of this sub-
23 section—

24 “(A) IN GENERAL.—No amount is payable
25 under this subsection with respect to an indi-

1 vidual unless the individual is a qualified indi-
2 vidual.

3 “(B) QUALIFIED INDIVIDUAL.—The term
4 ‘qualified individual’ means an individual who is
5 a lawful resident of the United States on the
6 date of such payment. For purposes of ensuring
7 that payments are made under this subsection
8 to all qualified individuals, the Secretary shall
9 consult with such other Federal and State offi-
10 cials as the Secretary determines necessary or
11 appropriate.

12 “(C) UNITED STATES.—For purposes of
13 subparagraph (B), the United States includes
14 the District of Columbia, the Commonwealth of
15 Puerto Rico, the Virgin Islands, Guam, Amer-
16 ican Samoa, and the Commonwealth of the
17 Northern Mariana Islands.”.

18 (e) CONFORMING AND CLERICAL AMENDMENTS.—

19 (1) The table of subchapters for chapter 38 of
20 such Code is amended by adding at the end the fol-
21 lowing new item:

 “SUBCHAPTER E. GREENHOUSE GAS EMISSION SUBSTANCES.”.

22 (2) The table of subtitles for the Internal Rev-
23 enue Code of 1986 is amended by adding at the end
24 the following new item:

 “Subtitle L. Greenhouse Gas Emission Substances.”.

1 (3) The table of sections for subchapter B of
2 chapter 65 of such Code is amended by adding at
3 the end the following new item:

“Sec. 6433. Refunds of Federal emission permit fee for certain uses.”.

4 (4) The table of sections for subchapter A of
5 chapter 98 of such Code is amended by adding at
6 the end the following:

“Sec. 9512. Energy and Economic Security Trust Fund.”.

7 (f) **EFFECTIVE DATE.**—The amendments made by
8 this section shall apply with respect to the sale of any
9 greenhouse gas emission substance after December 31,
10 2014.