

119TH CONGRESS  
1ST SESSION

# H. R. 6787

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

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## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 17, 2025

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

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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”.

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

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

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

“Sec. 4691. Calculation of carbon intensity.

“Sec. 4692. Imposition of carbon intensity charge.

“Sec. 4693. Rebate.

“Sec. 4694. Carbon clubs.

“Sec. 4695. Definitions.

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

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

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

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

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

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

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

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

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

15          “(b) CALCULATION.—

16                 “(1) CARBON INTENSITY.—

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

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

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

4           “(B) COVERED NATIONAL INDUSTRY.—

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

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

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

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

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

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

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

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

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

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

16                  “(C) PETITION FOR SPECIFIC GOODS.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9 “(2) COVERED EMISSIONS.—

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

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

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

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

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

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

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

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

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

5 “(3) IMPORTED GOODS.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14          “(E) EXCLUSION.—

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

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

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

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

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

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

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

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

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

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

19 “(a) IN GENERAL.—

20 “(1) IMPORTATION OF GOODS.—

21 “(A) IN GENERAL.—

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

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

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

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

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

18                  “(ii) FINISHED GOODS.—

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

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

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

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

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

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

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

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

3 “(C) EXCLUSION.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 “(c) COST OF POLLUTION.—

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

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

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

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

11 “(ii) an amount equal to—

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

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

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

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

25 “(d) CARBON REMOVAL.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13       **“SEC. 4693. REBATE.**

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

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

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

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

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

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

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

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

9       **“SEC. 4694. CARBON CLUBS.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 “(e) PHASE-IN.—

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

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

15 **“SEC. 4695. DEFINITIONS.**

16 “For purposes of this subchapter—

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

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

25 “(3) CO<sub>2</sub>-E.—

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

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

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

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

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

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

4 “(5) COVERED NATIONAL INDUSTRY.—

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

10 “(i) 211120 (petroleum extraction).

11 “(ii) 211130 (natural gas extraction).

12 “(iii) 212114 or 212115 (coal min-  
13 ing).

14 “(iv) 322110 (pulp mills).

15 “(v) 322120 (paper mills).

16 “(vi) 322130 (paperboard mills).

17 “(vii) 324110 (petroleum refineries).

18 “(viii) 324121 (asphalt paving mix-  
19 ture and block manufacturing).

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

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

24 “(xi) 325110 (petrochemical manufac-  
25 turing).

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

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

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

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

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

11                  “(xvii) 327310 (cement).

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

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

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

16                  “(B) EXCEPTIONS.—

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

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

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

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

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

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

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

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

24           “(B) located within the United States.

25           “(9) FINISHED GOOD.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9                   “(A) the Administrator,

10                   “(B) the Secretary of Energy,

11                   “(C) the Secretary of Commerce,

12                   “(D) the Secretary of Homeland Security,

13                   “(E) the United States Trade Representa-

14                   tive, and

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

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

                  “SUBCHAPTER E—CARBON INTENSITY CHARGE”.

22           (c) INVESTING IN INDUSTRIAL COMPETITIVENESS.—

23                   (1) DEFINITIONS.—In this subsection:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 (i) for projects that would—

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

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

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

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

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

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

8 (ii) for facilities located in—

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

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

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

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

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

1                   ments or achieve an interim progress mile-  
2                   stone agreed to with the Secretary; or

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

6                   (I) in the case of an existing eli-  
7                   gible facility, to achieve and maintain  
8                   the reduction in carbon intensity pro-  
9                   posed in the application; or

10                  (II) in the case of a proposed eli-  
11                  gible facility, to achieve and maintain  
12                  the best-in-class carbon intensity pro-  
13                  posed in the application.

14                  (F) OUTREACH.—The Secretary shall con-  
15                  duct outreach—

16                  (i) to notify the public about the pro-  
17                  gram; and

18                  (ii) to inform eligible entities of tech-  
19                  nologies that can reduce facility carbon in-  
20                  tensity or ensure best-in-class carbon in-  
21                  tensity.

22                  (3) CONTRACTS FOR DIFFERENCE.—

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

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

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

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

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

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

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

21 (B) ELIGIBLE GOODS.—

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

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

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

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

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

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

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

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

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

4 (C) AUCTIONS.—

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

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

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

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

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

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

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

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

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

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

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

24 (iii) ELIGIBLE GOODS CLASS.—

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

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

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

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

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

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

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

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

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

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

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

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

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

16 (aa) the benchmark carbon  
17 intensity; and

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

21 (vi) ADMINISTRATION.—

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

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

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

8 (D) REQUIREMENTS.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23 (F) PAYMENTS.—

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

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

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

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

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

17 (aa) the strike price; and

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

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

1 lished in each covered contract over time to  
2 account for—

3 (I) inflation; and

4 (II) changes in the cost of key in-  
5 puts to the production of the eligible  
6 good, as determined by the Secretary,  
7 including, at a minimum—

8 (aa) natural gas;

9 (bb) hydrogen; and

10 (cc) electricity.

11 (iv) MAXIMUM PAYMENT AMOUNT.—

12 For each covered contract under the pro-  
13 gram, the Secretary shall establish a max-  
14 imum amount that may be paid under that  
15 covered contract, which amount—

16 (I) takes into consideration ex-  
17 pected levels of—

18 (aa) the quantity of eligible  
19 goods covered under the covered  
20 contract (expressed in the rel-  
21 evant quantity) produced over  
22 the duration of the covered con-  
23 tract; and

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

3 (ii)(II);

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

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

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

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

20 (i) the timeline and selection process;

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

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

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

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

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

13 (I) RULEMAKING.—

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

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

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

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

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

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

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

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

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

25                  (8) APPROPRIATIONS.—

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

9 (B) APPROPRIATION.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 (3) APPROPRIATION.—

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

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

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

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

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

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

○