AMERICAN POWER ACT

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DRAFT SHORT SUMMARY

The American Power Act will transform our economy, set us on the path toward energy independence and improve the quality of the air we breathe. It will create millions of good jobs that cannot be shipped abroad and it will launch America into a position of leadership in the global clean energy economy.

Our approach sets an achievable national pollution reduction target and refunds the money raised right back to American consumers and American businesses. This is not a plan that enriches Wall Street speculators. And this is certainly not a plan to grow the government. It is a plan that creates jobs and sets us on a course toward energy independence and economic resurgence. It is time for Democrats, Republicans and Independents to come together to pass legislation that will create American jobs and achieve energy security, while reducing carbon pollution by 17 percent in 2020 and by over 80 percent in 2050. Our plan is based on five simple principles:

First: Consumers will come out on top. The American Power Act sends two-thirds of all revenues not dedicated to reducing our nation's deficit back to consumers from day one. The rest is spent ensuring a smooth transition for American businesses and investing in projects and technologies to reduce emissions and advance our energy security. In the later years of the program, every penny not spent to reduce the deficit will go directly back to consumers.

Second: We need energy made in America. Today we spend almost one billion dollars every day on foreign oil, much of which is sent to regimes that are hostile to our nation and our interests. That is money we should be investing here at home. The American Power Act invests in technology to harness domestic power supplies and reduce our dependence on foreign oil.

Third: America needs to regain its competitive edge and lead the global clean energy economy. America enjoys an abundance of home-grown energy sources: coal, natural gas, nuclear and renewables. Each will play a critical role in our clean energy future. By investing in innovation across all energy sources, we will create millions of jobs rebuilding our energy infrastructure as we reinvigorate our manufacturing base, which will be called upon to produce the clean energy technologies of tomorrow.

Fourth: We need a new approach to reducing emissions that recognizes the different needs of our different industries. The American Power Act includes separate, targeted mechanisms for the three major emitting sectors: power plants, heavy industry and transportation. Each approach is tailor-made to ensure a smooth transition into our collective clean energy future.

Fifth: The system must be simple, stable and secure. We only address the largest sources of carbon pollution and we provide predictability to businesses and consumers through a hard price collar and the creation of a single, clear set of rules. Our carbon market structure eliminates the possibility of manipulation, which will mean a secure, well-functioning market system.

Details on Key Provisions

Protecting Consumers

- From day one, two-thirds of revenues not dedicated to reducing our deficit are rebated back to consumers through energy bill discounts and direct rebates. We also provide assistance to those Americans who may be disproportionately affected by potential increases in energy prices through tax cuts and an energy refund program.
- After the initial transition period, revenues go into a Universal Refund that will increase until all revenues not spent to reduce the deficit are refunded directly to consumers.

Ensuring Regulatory Predictability

- It ensures predictability for American businesses by articulating a single set of rules for achieving its goals. Rather than allowing a patchwork of conflicting state and federal regulations, it lays out one clear set of rules for reducing greenhouse gas emissions.
- States will not be permitted to operate cap-and-trade programs for greenhouse gases. Those states that have already taken a leadership role in implementing emission reduction policies will receive compensation for the revenues lost as a result of the termination of their cap-and-trade programs.

Ensuring Price Predictability

- We include a hard price collar which binds carbon prices and creates a predictable system for carbon prices to rise at a fixed rate over inflation.
- Introductory floor and ceiling prices are set at $12 (increasing at 3 percent over inflation annually) and $25 (increasing at 5 percent over inflation annually), respectively.
- To provide environmental integrity and ensure meaningful emissions reductions, we include a strategic reserve to complement the hard price collar and ensure the availability of price-certain allowances in the event of unusually high carbon prices.

Decreasing our Dependence on Foreign Oil

- We provide over $7 billion annually to improve our transportation infrastructure and efficiency, including our highways and mass transit systems.
- We also address our use of foreign oil in our trucks and heavy-duty fleet by providing significant tax incentives for conversion to clean natural gas vehicles.
- We make important new investments in developing and manufacturing advanced vehicles, to ensure that America leads the world in advanced cars and batteries.
- We embrace ongoing efforts to create strong federal standards for greenhouse gas emissions and efficiency improvements in our vehicle fleet.

- Mindful of the accident in the Gulf, we institute important new protections for coastal states by allowing them to opt-out of drilling up to 75 miles from their shores. In addition, directly impacted states can veto drilling plans if they stand to suffer significant adverse impacts in the event of an accident. States that do pursue drilling will receive 37.5 percent of revenues to help protect their coastlines and coastal ecosystems.

Expanding America's Manufacturing Base

- Industrial sources will not enter the program until 2016. Prior to 2016, allowance value is dedicated to offset electricity and natural gas rate increases for industrial rate-payers and to improve energy efficiency in manufacturing – to keep power bills down in the future.
- In 2016, energy-intensive and trade-exposed industries receive allowances to offset both their direct and indirect compliance costs. This assistance will be distributed in a way that rewards efficiency investments and makes our manufacturing facilities more competitive.
- We also significantly increase incentives for clean technology manufacturing, by expanding the clean energy manufacturing tax credit by $5 billion, providing incentives for the production of advanced vehicles and component parts and funding investments in energy efficiency innovation. Alongside these priorities, we also support community economic adjustment assistance and worker training.
- In order to protect the environmental goals of the bill, we phase in a WTO-consistent border adjustment mechanism. In the event that no global agreement on climate change is reached, the bill requires imports from countries that have not taken action to limit emissions to pay a comparable amount at the border to avoid carbon leakage and ensure we are able to achieve our environmental objectives.

Creating New Opportunities for American Farmers

- Farmers are exempt from the carbon pollution compliance obligations in the bill.
- We establish a new multi-billion dollar revenue stream for the agricultural sector through a domestic offset program that provides incentives for farmers to reduce emissions on their land. The program provides USDA with primary authority over domestic agriculture and forestry projects.
- Additionally, the bill supports the Rural Energy for America Program, which has already reduced costs and created thousands of new clean energy jobs across rural America.

Investing in Clean Energy Research, Development and Deployment

- The American Power Act funds critical investments in clean energy research and development, including renewable energy technology, advanced vehicle technologies and carbon capture and sequestration.
- We also establish pilot projects to determine the regional feasibility of light- and heavy-duty plug-in electric vehicles.

Ensuring Coal's Future

- We empower the U.S. to lead the world in the deployment of clean coal technologies through annual incentives of $2 billion per year for researching and developing effective carbon capture and sequestration methods and devices.
- We also provide significant incentives for the commercial deployment of 72 GW of carbon capture and sequestration.

Encouraging the Use of America's Natural Gas

- We create a level playing field for natural gas in the power sector by removing disincentives for natural gas generation at merchant plants.
- We also help guide the state regulatory process by requiring public disclosure of chemicals used in the production of natural gas.

Increasing Nuclear Power Generation

- We have included a broad package of financial incentives to increase nuclear power generation including regulatory risk insurance for 12 projects, accelerated depreciation for nuclear plants, a new investment tax credit to promote the construction of new generating facilities, $54 billion in loan guarantees and a manufacturing tax credit to spur the domestic production of nuclear parts.
- We improve the efficiency of the licensing process.
- We invest in the research and development of small, modular reactors and enhanced proliferation controls.
- We designate an existing national laboratory as a nuclear waste reprocessing Center of Excellence.

Reducing Transportation Emissions

- Emissions from the transportation sector will remain under the carbon pollution cap.
- Producers and importers of refined products will not participate in the carbon market, but will purchase allowances at a fixed price from the allowance auction.

Blocking Market Manipulation

- The bill only requires the largest sources of pollution to comply with reduction targets: those who produce more than 25,000 tons of carbon pollution annually. This means the program only focuses on 7,500 factories and power plants.
- Participation in the auction and primary cash markets is restricted to entities with a compliance obligation and a limited number of 'market makers'.
- Participation in the secondary market will be open to all participants, but it will only exist on a cash-cleared basis. It will be highly regulated, exchange traded and transparent.