Summary of the Climate Pollution Standard & Community Investment Act of 2024

The Climate Pollution Standard & Community Investment Act seeks to phase down climate pollution quickly while limiting economic disruptions and hardships by setting an economy-wide, enforceable limit on greenhouse gas emissions that will cover a wide variety of sectors and sources responsible for climate pollution.

In the past, Congress has successfully enacted— and EPA has successfully implemented— similar programs to carry out an orderly and guaranteed phase down of pollution, including of pollutants that cause acid rain and hydrofluorocarbons.

A declining, enforceable limit on climate pollution requires emitters to become more efficient or transition to non-emitting alternatives. Over time, the limit will become very stringent, requiring reductions in line with the scientific community's assessment to avoid the most serious consequences of climate change.

Polluters will need to acquire one allowance for each ton of climate pollution emitted each year. Allowances will primarily be available through quarterly auctions held by EPA. These auctions are expected to raise significant revenues for the Federal Government, which will be reinvested to support frontline communities, displaced workers, low-income households, and activities to accelerate the clean energy transition.

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Limits Covered Entities & Provides Program Flexibility

Entities that pollute above a certain amount are required to acquire allowances. A relatively small number of polluters account for a large portion of U.S. emissions. Power plants, refineries, and large manufacturing facilities will be required to participate in the program, and few, if any, small businesses and farms will be covered by the program.

The bill provides significant flexibility to enable entities to comply with the program's requirement. This includes using 3-year compliance periods and allowing for significant banking of allowances. Entities that fail to comply will face stiff penalties.

Prevents Hot Spots & Empowers Frontline Communities

The bill takes steps to ensure that emission reductions occur in every community. It dedicates 10% of revenue generated from allowance auctions for EPA programs to invest directly in disadvantaged and environmental justice communities. Any community that experiences an increase in greenhouse gas emissions, hazardous air pollutants, or criteria air pollutants will be eligible to be designated a "Cleaner Air Community". These communities will be prioritized to receive funding in the form of Environmental and Climate Justice Block Grants, emissions monitoring, development and implementation of community-driven multi-year plans to reduce air pollution, and support for community-based health centers, health monitoring, and other healthcare services to address the health impacts related to residing or working in a Cleaner Air Community.

To ensure polluting entities located in these communities are further incentivized to reduce emissions, any stationary source operating in a designated Cleaner Air Community will be required to surrender twice as many allowances for each ton of climate pollution emitted.

Leaves No Worker or Community Behind

The bill dedicates up to 10% of revenue from allowance auctions to provide assistance to local governments, Tribal governments, and individual workers that may have difficulty during the national transition to a clean energy economy. Local governments will be able to receive temporary payments to replace lost tax revenues, which can be used to maintain essential public services and support economic development and diversification. Similarly, displaced workers will be eligible to replace lost wages while accessing new educational and job training opportunities.

The bill also establishes a new Office of Energy and Economic Transition within the Executive Office of the President to coordinate the interagency response to assisting affected communities and individuals. It creates a new grant program to support the creation of community-based hubs to help governments and workers by providing guidance, capacity-building, and wraparound services.

Shares Revenues with State, Tribal, & Local Governments

The bill provides 10% of revenue from allowance auctions to State and Tribal Governments to carry out clean energy and adaptation programs. These governments are required to invest at least 50% of these funds in disadvantaged communities. Local governments are provided 5% of revenue from allowance auctions through the Department of Energy's Energy Efficiency and Conversation Block Grant program.

State and Tribal Governments are also empowered to distribute a share of allowances each year. These allowances may be given to entities operating within a State or Tribe's jurisdiction; however, any proceeds from these allowances must be used to benefit consumers, such as by reducing electricity and heating bills.

Protects Low-Income Households

The bill sets aside 15% of revenue from allowance auctions for the Secretary of the Treasury to carry out the new Clean Energy Rebate Program. This rebate will provide direct financial assistance to eligible low-income households (generally income less than 200% of the Federal poverty line) to offset any increased energy costs.

Strengthens U.S. Competitiveness of Energy-Intensive, Trade-Exposed (EITE) Industries

The bill dedicates a portion of allowances to be distributed directly to EITE industries to preserve the international competitiveness of U.S. manufacturers. These are industries that may be difficult-to-decarbonize or use significant energy in their manufacturing processes, and face significant competition from foreign companies that may not be subject to similar environmental regulations.

EPA is required to determine the average greenhouse gas emissions per unit of output for each eligible industrial sector. This will become the sector's carbon intensity benchmark, which is scheduled to decline over time. Allowances will be distributed based on each company's output, meaning a company will be rewarded for producing more products below its industrial sector's benchmark.

EPA and U.S. Customs and Border Protection are authorized to set up an international allowance program to require importers of products in EITE industries to purchase allowances based on the embodied greenhouse gas emissions of those products. This will ensure that foreign competitors without similar programs to phase down climate pollution do not gain a competitive advantage over domestic manufacturers.

Incentivizes Negative Emissions

Climate science demands achieving net-zero greenhouse gas emissions by 2050. Any remaining difficult-to-decarbonize emissions must be balanced by negative emissions, which can be achieved by carbon sequestration through soils, forests, and new carbon removal technologies.

The bill does not allow for offsets as an alternative compliance mechanism. Instead, revenue will directly compensate farmers, ranchers, landowners, and carbon removal companies that carry out practices that result in the reduction, avoidance, or sequestration of greenhouse gas emissions in contribution to national climate targets.

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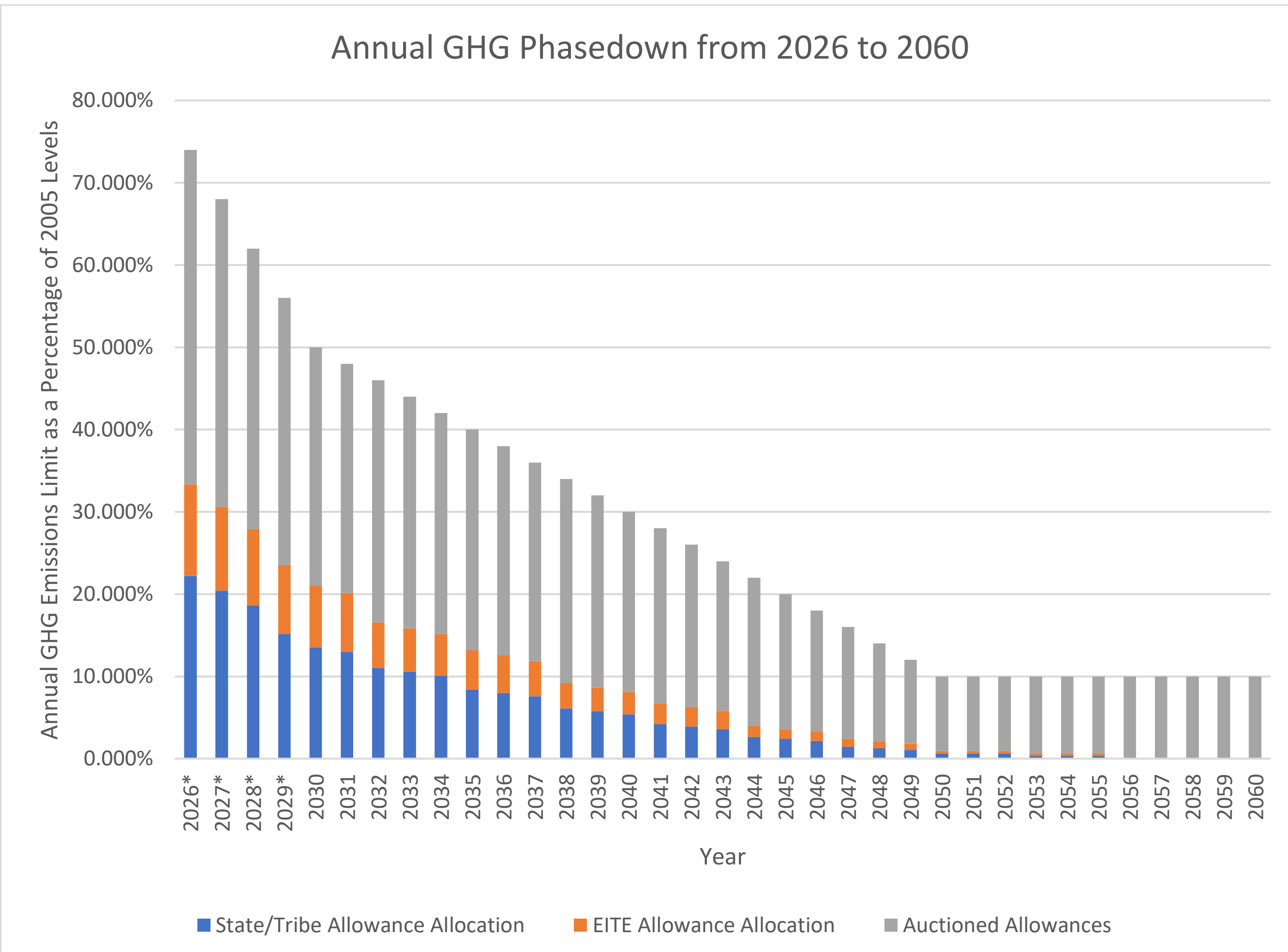

*Years 2026 through 2029 are estimated based on an assumed baseline of 26% GHG reduction below 2005 levels in 2026.