

## Section-by-Section: The Managed Carbon Price Act of 2012 (MCP)

### Section 1. Short Title: “The Managed Carbon Price Act of 2012”

### Section 2. Greenhouse Gas Emission Substances

#### **Section 9901.** Condition Precedent to Sale or Use of Greenhouse Gas Emission Substance

Requires the producers of coal, natural gas, oil and gas refinery, or other covered GHG emissions producer to purchase Permits equal to the amount of CO<sub>2</sub> equivalent emissions produced. GHG substances that are used for noncombustion agricultural purposes do not require a Permit.

The Secretary will impose a Permit equivalency fee on the importers of carbon intensive goods. The fee will be equivalent to the price paid by domestic producers of GHG substances. This provision will expire to the extent that other countries enact similar emissions reductions laws.

#### **Section 9902.** Federal Emissions Permit

**Generally:** Permits will only be available for purchase from the Secretary. Permits are not allowed to be traded or resold.

**Purchasing Permits:** Permits will be sold in one-quarter CO<sub>2</sub> equivalents (one-quarter ton of CO<sub>2</sub> or equivalent substance). Permits may only be purchased within seven calendar days after a GHG emission substance is produced or imported. This is to prevent hoarding and distortions in the Permit price.

**Permit Price:** The Secretary in consultation with the EPA Administrator, and the Secretary of Energy, will determine the Permit price. No more than one-year after enactment the Treasury Secretary will publish a 5-year Permit price and quantity schedule for each calendar year. The following year, the Secretary will publish the price for year 6, and will do this on an annual basis. This way, businesses always have a 5-year price window to plan around. The Secretary can at any time before the start of a new year decrease the price of permits. The Secretary may only increase the permit price for a published no less than 2 years before the year in question.

**Price Collar:** MCP requires that the Secretary set Permit prices within a maximum and minimum price collar. MCP stipulates the price collar for the first 12 years after implementation. 5-years after enactment and every 10-years thereafter, the Secretary will publish a new price collar schedule.

**Emissions Targets:** While the price and quantity of Permits are set by the Secretary every 5-years, MCP requires emissions reductions of 80% of 2005 levels within 42 years. The Secretary must meet specific reductions targets every 10 years. Because MCP does not take effect until 2 years after enactment, the first target occurs 12 years after enactment. The first target requires a

30% reduction of in emissions. The following three decades require 20%, 20%, and 10% reductions respectively.

**Annual Report:** 15 months after enactment, and every year thereafter, the Secretary shall publish a report detailing the number of Permits sold, and the extent to which GHG emissions reductions are being achieved. The report will also contain the methodology used by the Secretary to determine Permit prices and quantities, as well as an estimation of the price of Permits for the decade following the current 5-year window.

### **Section 9903.** Definitions

**Carbon Dioxide Equivalent:** Means, for each GHG emission substance, the quantity of that substance the EPA administrator determines makes the same contribution to global warming as 1 metric ton of CO<sub>2</sub>.

**GHG Emissions Substances:** Coal, petroleum, natural gas, methane, nitrous oxide, sulfur hexafluoride, perfluorocarbons, hydrofluorocarbon, and any other substance as determined by the EPA Administrator.

**Publication of Schedule:** The Secretary shall publish a schedule listing each covered GHG substance, and the quantity of each substance required to make 1 metric ton of CO<sub>2</sub>.

### **Section 9904:** Information Reporting Requirements

In making determinations for price and quantity of Permits, the Secretary may solicit information from industry regarding estimated future use of GHG substances.

### **Section 6433.** Refunds of Federal Emission Permit Fee for Certain Uses

The Secretary is allowed to refund Permit fees in the event the Producer has purchased too many Permits. This is expected to be negligible as Permits are purchased after production of the GHG substance.

The Secretary shall also make payments to exporters of carbon intensive goods equal to the cost that domestic producers pay for such carbon intensive goods.

### **Section 4691.** Greenhouse Gas Emissions Substances (Failure to Obtain a Permit)

If a producer fails to obtain a Permit, he must pay the amount of the fee, and a tax equal to the fee paid. Essentially, a producer will be liable for twice the amount of the applicable Permit fee.

### **Section 9512.** Energy and Economic Security Trust Fund

75% of the Permit fees will be transferred to the newly created Energy and Economic Security Trust Fund (EEST). From there, the EEST will distribute a monthly dividend to every lawful United States resident. Each resident will receive one individual share, with dependents

receiving one-half of an individual share. No more than 2 dependents may be taken into account for each resident.

The remaining 25% shall be used for deficit reduction. Absent deficit reduction needs, the remaining amount will then go to dividend payments.