Friends Committee on National Legislation
Lobbying with Quakers

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BILL ANALYSIS >> ENVIRONMENT AND ENERGY

Bill Analysis: America's Clean Future Fund Act (S. 685/H.R. 2451)

On March 10, 2021, Sen. Dick Durbin (IL) introduced the America's Clean Future Fund Act. Rep. Marie Newman (IL-03) introduced the companion bill in the House on April 12, 2021.

Bill Summary

The America's Clean Future Fund Act places a price of $25 per metric ton of carbon dioxide or carbon dioxide equivalent, beginning in 2023. The price increases by $10 each year, multiplied by the cost-of-living adjustment. The fee is assessed "upstream" at the point of extraction, manufacturing, or production, and covers fossil fuels (coal, crude oil, natural gas); after two years, a carbon fee will also be assessed at non-fossil high emission facilities. Refunds or credits are available for carbon dioxide capture, utilization, and storage.

The revenue generated from this legislation funds three main components: a carbon rebate, transition assistance, and the Climate Change Finance Corporation. Congress will appropriate funds in FY22 and FY23 to start up these programs until the fee is enacted in 2023. For the first ten years:

- 75% of the revenue goes to a carbon fee rebate and payments for facilities and farmers that sequester carbon.
- 15% of the revenue funds the Climate Change Finance Corporation (C2FC). The C2FC is an independent federal agency established by the bill that seeks to address climate change and reduce greenhouse gas emissions by financing clean energy and climate change resiliency activities. At least 40% of C2FC grant funding benefits will go to environmental justice communities, in line with the Biden administration's Justice 40 initiative.
- 10% of the revenue funds transition assistance for impacted communities, such as carbon-intensive communities and frontline communities.

After 10 years, the percentages applied toward the carbon fee rebate, carbon sequestration payments, and C2FC increase, while the percentage designated for transition assistance decreases.

The America's Clean Future Fund Act does not preempt state law or undermine existing federal regulatory authority.

Bill Evaluation

FCNL's carbon pricing principles help us evaluate carbon pricing legislation. Here is how the America's Clean Future Act aligns with our principles:

☑ Enact a Price on Carbon High Enough to Drive Reductions in Greenhouse Gas (GHG) Emissions

The most important outcome for a carbon price is the reduction of GHG emissions. The price should be high enough to accelerate the decline of carbon intensive industries and spur investment in low carbon processes.

The bill is designed to reduce emissions 45%, based on 2018 levels, by 2030. Ultimately, it seeks to achieve net-zero emissions by 2050, based on 2018 levels.

☑ Prevent "Leakage"

Leakage occurs when GHG producers move their operations to another country without a comparable carbon pricing system. Paired with a price on carbon, a border carbon adjustment will help prevent carbon leakage, ensure a level playing field, and preserve US competitiveness vis-à-vis foreign manufacturers.

A fee is placed on imported carbon-intensive goods, comparable to the fee placed on domestic carbon-intensive products. Conversely, there is an equivalent refund of the carbon fee for carbon-intensive exports. The implementation of an equivalency fee and refund incentivizes other countries to price carbon.

☑ Reporting and Transparency

To ensure we reach emissions reductions goals, measuring, reporting, and verifying should take place at both the facility and national level.

At least every five years the Administrator of the Environmental Protection Agency will partner with the National Academy of Sciences to produce a study on the effectiveness of the carbon price and the feasibility of the emissions reduction goals. The study would look at the projection of emissions reductions if other complementary policies were in place, such as a clean energy standard or low-carbon fuel standard.

☑ Regulations

The U.S. regulatory regime is a key tool for reducing emissions, so if carbon pricing legislation includes a regulatory moratorium, there should be an environmental integrity mechanism to ensure that the moratorium is lifted if the carbon fee isn't achieving the desired reduction in emissions.

The America's Clean Future Fund Act does not preempt state law or undermine existing federal regulatory authority.

☑ Course Correction

If the set price is not sufficiently driving down emissions, then the price should increase.

The bill specifies emissions reduction targets. If emissions targets are not met in a given year, there is an additional increase the following year; $5 between 2025-2030, $10 between 2031-2040, and $15 for 2041 and beyond.

☑ Protect Vulnerable Communities

The carbon tax should follow a "polluter pays" philosophy and ensure that the costs are not borne by vulnerable and low-income communities.

This bill recognizes that climate legislation and a carbon tax can disproportionately affect low-income and other vulnerable communities. Transition assistance grants go to communities disproportionately impacted by a shift to a clean energy economy, such as communities reliant on carbon-intensive industries and environmental justice communities, for workforce development, climate resiliency, and environmental cleanup from fossil fuels. However, the funding for these grants decreases after the first ten years. The C2FC prioritizes funding for communities reliant on carbon-intensive industries, environmental justice communities, and communities situated in locations prone to climate-exacerbated events. Lastly, an analysis by Columbia University found that a majority of the revenue from the bill would return to low-and-middle-income households through the carbon rebate.

☑ Invest in An Affordable Clean Energy Future

Revenue from a carbon tax should also be invested in renewable energy research, development, and efficiency.

The C2FC seeks to reduce greenhouse gas emissions and minimize the effects of climate change by funding projects that research, develop, and deploy clean and renewable technology across sectors. This includes grants for energy efficiency upgrades to infrastructure, clean transportation programs, battery storage research and deployment, and more.

In Conclusion

This bill is ambitious and addresses the climate crisis in multiple ways. By including components like a border carbon adjustment and price increases if emissions reduction targets are not reached, the bill ensures that it will meaningfully reduce carbon emissions. We are glad to see that environmental justice communities are prioritized for transition assistance and funding from the C2FC. The carbon rebate for low- and middle-income individuals can also help ensure that the carbon price does not negatively impact vulnerable communities. While this bill currently has only Democratic support, this bill significantly adds to the carbon pricing conversation in Congress.