

# THE CARBON LIMITS AND ENERGY FOR AMERICA'S RENEWAL (CLEAR) ACT: A SIMPLE, TRANSPARENT, AND EQUITABLE APPROACH TO ENERGY INDEPENDENCE AND CLIMATE CHANGE MITIGATION

## GOALS

- Establish a clear, predictable, and economy-wide price on carbon that will accelerate our nation's urgently needed transition to a clean energy economy.
- Provide a robust source of economic growth and job creation.
- Reduce global warming pollution by applying concrete scientific recommendations to policy solutions.
- Allow market forces to find the most cost-effective ways to reduce greenhouse gas emissions.
- Avoid picking winners and losers among technologies, special interest groups, or industries.
- Impose no costs on low-to-middle income families, or to refiners, manufacturers, utilities, or any other midstream fossil fuel user.
- Revenue neutral policy for the federal government.
- Prevent undue regional impacts arising from differential historic patterns of energy use.

## CAP-AND-REFUND POLICY FRAMEWORK

- Set firm, reasonable and predictable reductions in the quantity of fossil carbon that can be sold into commerce in the United States.
- Every upstream fossil fuel producer or importer (e.g., coal mining companies, oil and natural gas producers) participates in a monthly auction to bid for "carbon shares", permits required to accompany each ton of fossil carbon embedded in the fuel they are placing into commerce.
- Three-fourths of auction revenues are refunded directly to every American on an equal per capita basis each month.
- Remaining one-fourth of auction revenues is placed in a fund dedicated to climate related needs such as clean energy R&D, programs that mitigate non-CO2 greenhouse gas emissions, and need-based, regionally-specific assistance for communities and workers transitioning to a clean energy economy.

## ADVANTAGES OF THE CAP-AND-REFUND APPROACH

- The fossil carbon cap, combined with spending on non-greenhouse gas reduction efforts, reduces greenhouse gas emissions by nearly 20% from 2005 levels by 2020, and prevents more cumulative emissions from reaching the atmosphere through 2050 than the House-passed bill.
- Sending auction revenues directly to consumers means 80% of the American public will incur no net costs and the lowest income population will receive net positive benefits. The remaining 20% percent – the highest income earners—will see less than a 0.3% decrease in income.
- No Wall Street traders or speculators can manipulate prices or supply for consumers because they have no access to the auctions because participation is limited to the few thousand upstream entities with a compliance obligation.
- As insurance against price volatility and excessive costs, and to help provide strong incentives for accelerated clean energy investments, an annual "price collar" sets minimum and maximum auction prices.
- Higher energy prices will spur consumers to make energy efficiency investments, but the overall purchasing power of the vast majority of households will remain unaffected.
- Includes a mechanism to fund carbon sequestration efforts and reimburse non-emissive users of fossil fuel feedstocks.
- Energy-intensive commodity producers are protected from unfair foreign competition, particularly from countries lacking greenhouse gas emission control regimes.