To amend the Internal Revenue Code of 1986 to create a carbon border adjustment based on carbon intensity, and for other purposes.

IN THE SENATE OF THE UNITED STATES

introduced the following bill; which was read twice and referred to the Committee on

A BILL

To amend the Internal Revenue Code of 1986 to create a carbon border adjustment based on carbon intensity, and for other purposes.

Be it enacted by the Senate and House of Representa-
tives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Clean Competition Act”.

SEC. 2. CARBON INTENSITY CHARGE.

(a) IN GENERAL.—Chapter 38 of the Internal Rev-

ene Code of 1986 is amended by adding at the end the

following new subchapter:
“Subchapter E—Carbon Intensity Charge

Sec. 4691. Calculation of carbon intensity.
Sec. 4692. Imposition of carbon intensity charge.
Sec. 4693. Rebate.
Sec. 4694. Definitions.

SEC. 4691. CALCULATION OF CARBON INTENSITY.

“(a) Reporting Requirements.—Not later than June 30, 2026, and annually thereafter, any covered entity shall, for each eligible facility operated by such entity, report to the Secretary (and, for purposes of the information described in paragraphs (2) and (3), the Administrator) with respect to the following:

“(1) Any information required to be reported to the Administrator under the Greenhouse Gas Reporting Program (or which would be required to be reported notwithstanding any other provision of law prohibiting the implementation of or use of funds for such requirements) for the preceding calendar year.

“(2) The total amount of electricity used at such facility during the preceding calendar year, including—

“(A) whether such electricity was provided through the electric grid or a dedicated generation source,

“(B) the terms of any power purchase agreements with respect to such facility, and
“(C) with respect to any electricity which was not provided through the electric grid, the greenhouse gas emissions associated with the production of such electricity, provided that such emissions are not reported pursuant to paragraph (1).

“(3) The total weight (expressed in tons) of each covered primary good produced at such facility during the preceding calendar year.

“(b) Calculation.—

“(1) Carbon intensity.—

“(A) Eligible facility.—For purposes of this subchapter, for each calendar year, the carbon intensity with respect to any eligible facility shall be an amount equal to the quotient of—

“(i) the covered emissions (as determined under paragraph (2)) with respect to such facility, divided by

“(ii) the total weight (expressed in tons) of covered primary goods produced at such facility during the preceding calendar year.

“(B) Covered national industry.—
“(i) IN GENERAL.—For purposes of this subchapter, the carbon intensity with respect to any covered national industry shall be an amount (as determined by the Secretary) equal to the quotient of—

“(I) an amount equal to the sum of the covered emissions (as determined under paragraph (2)) with respect to all eligible facilities which produce covered primary goods which are included within such industry for calendar year 2025, divided by

“(II) the total weight (expressed in tons) of covered primary goods within such industry which are produced at all such eligible facilities during such year.

“(ii) DETERMINATION.—For purposes of this subchapter, the Secretary (in coordination with the relevant parties) may determine which types of eligible facilities (and any related covered primary goods) are included or excluded within a covered national industry, provided that such determination—
“(I) facilitates a fair comparison of carbon intensities across similar eligible facilities (based on a comparison of the material inputs and outputs of such facilities), and

“(II) does not meaningfully reduce the scope of greenhouse gas emissions covered by this subchapter.

“(iii) EXCLUDED FACILITIES.—In the case of any eligible facility which, pursuant to clause (ii), is excluded from a covered national industry and is not included in any other covered national industry, such facility shall be deemed to not be included in any covered national industry.

“(C) PETITION FOR SPECIFIC GOODS.—

“(i) IN GENERAL.—In the case of any covered national industry which produces more than 1 covered primary good, a covered entity may file a petition with the Secretary to—

“(I) determine the carbon intensity with respect to a specific covered primary good, and
“(II) determine a classification
for defining such covered primary
good for purposes of this subchapter,
such as—

“(aa) the applicable 6-digit
subheading of the Harmonized
Tariff Schedule of the United
States,

“(bb) the relevant produc-
tion process,

“(cc) a set of material char-
acteristics, or

“(dd) any combination of
the methods for classification de-
scribed in items (aa) through
(cc).

“(ii) REVIEW.—With respect to any
covered primary good which is included in
a petition described in clause (i), the Sec-
retary (in coordination with the Adminis-
trator and the Secretary of Energy) shall
approve such petition if—

“(I) the chemical, physical, or
mechanical production processes for
such good are substantially different
as compared to other covered primary
goods produced within the same covered national industry,

“(II) the properties of such good are distinct such that its uses cannot be easily replaced by other covered primary goods produced within the same covered national industry, and

“(III) the carbon intensity determined with respect to such good is at least 25 percent greater than the carbon intensity determined for other covered primary goods produced within the same covered national industry.

“(iii) Recalculation.—In the case of any petition described in clause (i) which is approved by the Secretary pursuant to clause (ii), the Secretary (in coordination with the Administrator) shall re-determine the carbon intensity with respect to the covered national industry which includes production of the covered primary good which is the subject of such petition by excluding any covered emissions associated with the production of such good for
purposes of the determination made under subparagraph (B) for such industry.

“(iv) GOODS-LEVEL DATA.—In the case of any petition described in clause (i) which is approved by the Secretary pursuant to clause (ii), the Secretary (in coordination with the Administrator) shall use a methodology for determining the carbon intensity of the covered primary good (as determined using the eligible facility information reported under subsection (a)), and shall publish the methodology and the results of such determination, in a manner which—

“(I) is compatible with existing Federal carbon accounting rules and standards,

“(II) includes the related chemical, physical, or mechanical production processes responsible for differences in carbon intensity and covered emissions, and

“(III) prioritizes ease of administration and compliance.
“(D) Determination.—Any determination of carbon intensity under this paragraph shall be made by the Secretary in coordination with the Administrator and the Secretary of Energy.

“(2) Covered emissions.—

“(A) In general.—For purposes of this subsection, for each calendar year, the amount of covered emissions with respect to any eligible facility shall be an amount (as determined by the Secretary, in coordination with the Administrator) equal to—

“(i) the amount equal to the sum of—

“(I) the total greenhouse gas emissions associated with the production of covered primary goods at such facility during the preceding calendar year (as reported pursuant to subsection (a)), plus

“(II) the total greenhouse gas emissions associated with any electricity used at such facility for the production of such goods during the preceding calendar year, minus
“(ii) the total greenhouse gas emissions which are captured and disposed of in secure geological storage (in compliance with the regulations established under section 45Q(f)(2)) during the preceding calendar year.

“(B) DIRECT AIR CAPTURE.—For purposes of subparagraph (A)(ii), in the case of any greenhouse gas emissions which are captured directly from the ambient air, the operator of the facility which captured such emissions may apportion such emissions amongst any eligible facilities which are under common control of such operator.

“(C) EMISSIONS FOR ELECTRICITY USED.—

“(i) IN GENERAL.—For purposes of subparagraph (A)(i)(II), the amount of greenhouse gas emissions associated with electricity provided through the electric grid shall be determined based on the average carbon intensity for the regional grid in which the eligible facility is located for the preceding calendar year.
“(ii) EXCEPTION.—In the case of an eligible facility which is subject to a power purchase agreement (or its foreign equivalent) which guarantees that any electricity provided under such agreement is generated not less than 15 minutes prior to use by such facility and within the same regional transmission zone (or its foreign equivalent) as such facility—

“(I) clause (i) shall not apply, and

“(II) the amount of greenhouse gas emissions associated with such electricity shall be determined based on the average carbon intensity of the electricity provided under such agreement.

“(3) IMPORTED GOODS.—

“(A) IN GENERAL.—In the case of any covered primary good which is imported into the United States, the carbon intensity with respect to such good shall be determined by the Secretary (in coordination with the relevant parties) based on—
“(i) the carbon intensity of the general economy of the country of origin of such good, or

“(ii) if the Secretary (in coordination with the relevant parties) determines that transparent, verifiable, and reliable information is available with respect to any covered national industry in the country of origin of such good and that such country of origin is a transparent market economy in which inter-firm resource shuffling is unlikely to occur, the carbon intensity of the covered national industry in such country which includes production of such good.

“(B) Petition.—

“(i) In general.—In the case of any entity which imports a covered primary good for which the carbon intensity can be determined under subparagraph (A)(ii), such entity may file a petition with the Secretary to determine the charge under section 4692, if any, based on the average carbon intensity with respect to the production of such good by the manufacturer within the country of origin.
“(ii) AGGREGATION RULE.—For purposes of this subparagraph, the average carbon intensity with respect to the production of a covered primary good shall be determined based upon greenhouse gas emission and production data from all facilities which produce such good which are under common control of the manufacturer of such good, including any subsidiary, parent company, or joint venture of such manufacturer within the country of origin.

“(iii) DATA PROVISION.—In the case of an entity which files a petition described in clause (i), such entity shall provide the Secretary with an environmental product declaration containing—

“(I) any information which would otherwise be required to be reported under subsection (a) if the facilities which produced the covered primary good to which the petition applies were subject to the reporting requirements under the Greenhouse Gas Reporting Program, and
“(II) any other information which is necessary (as determined by the Secretary, in coordination with the relevant parties) to calculate the carbon intensity of the covered primary good in accordance with any relevant methodologies for allocating the carbon intensity of the covered primary good under paragraph (1)(C)(iv).

“(C) INPUTS.—With respect to any covered primary good which is imported into the United States and for which other covered primary goods (other than petroleum, natural gas, or coal) were used as inputs by the manufacturer in the production of the imported covered primary good, any greenhouse gas emissions associated with the production of the covered primary goods used as inputs shall be included in the determination of the greenhouse gas emissions associated with production of the imported covered primary good.

“(D) CARBON INTENSITY OF THE GENERAL ECONOMY.—For purposes of this paragraph, with respect to any country, the carbon intensity of the general economy of such coun-
try shall be an amount equal to the quotient of—

“(i) the greenhouse gas emissions of such country for the most recent year for which the Secretary determines there is reliable information, divided by

“(ii) the gross domestic product of such country for the year described in clause (i).

“(E) EXCLUSION.—

“(i) IN GENERAL.—Subject to clause (ii), in the case of any covered primary good (including any covered primary good which is a component part of a finished good) which is imported into the United States and was produced in a relatively least developed country (as described in section 124 of the Foreign Assistance Act of 1961 (22 U.S.C. 2151v)), this paragraph shall not apply.

“(ii) EXCEPTION.—Clause (i) shall not apply if the country described in such clause produces at least 3 percent of total global exports by value of the covered primary good.
“(F) INTER-FIRM RESOURCE SHUFFLING.—For purposes of this paragraph, the term ‘inter-firm resource shuffling’ means any buying, selling, trading, exchanging, or other transfer of control of production facilities between entities based on the carbon intensity of such facilities for the purpose of creating entities with relatively lower carbon intensity and entities with relatively higher carbon intensity.

“(c) PUBLICATION.—The Secretary (in coordination with the relevant parties) shall—

“(1) annually publish any carbon intensity which has been determined under subsection (b) with respect to any eligible facility, covered national industry, covered primary good, foreign manufacturer, or country of origin, and

“(2) publish (and update, as appropriate) a list of—

“(A) each covered primary good, as categorized by the covered national industry in which such good is included, and

“(B) any covered primary good for which a petition described in clause (i) of subsection (b)(1)(C) has been approved by the Secretary pursuant to clause (ii) of such subsection.
“SEC. 4692. IMPOSITION OF CARBON INTENSITY CHARGE.

“(a) In General.—

“(1) Importation of Goods.—

“(A) In General.—

“(i) Covered primary goods.—In the case of any covered primary good imported into the United States during any calendar year beginning after December 31, 2024, there is hereby imposed a charge in an amount (rounded to the nearest dollar) equal to the product of—

“(I)(aa) in the case of a good for which the carbon intensity is determined under section 4691(b)(3)(A)(i), the amount (if any) by which the amount determined under clause (iii) with respect to such good exceeds an amount equal to the applicable percentage of the relevant carbon intensity for such good, or

“(bb) in the case of a good for which the carbon intensity is determined under subparagraph (A)(ii) or (B) of section 4691(b)(3), the amount (if any) by which the carbon intensity determined under such subparagraph
with respect to such good exceeds an
amount equal to the applicable per-
centage of the relevant carbon inten-
sity for such good, multiplied by

“(II) the total weight (expressed
in tons) of the good imported into the
United States, multiplied by

“(III) the carbon price.

“(ii) FINISHED GOODS.—

“(I) IN GENERAL.—In the case
of any finished good which is im-
ported into the United States during
any calendar year beginning after De-
cember 31, 2026, there is hereby im-
posed a charge in an amount equal to
the sum of the amounts determined
under subclause (II) with respect to
each covered primary good which is a
component part of such finished good.

“(II) COMPONENTS.—The
amount determined under this sub-
clause with respect to any covered pri-
mary good which is a component part
of a finished good is an amount equal
to the product of—
“(aa) the amount (if any) determined under clause (i)(I) if such clause were applied with respect to such good, multiplied by

“(bb) the total weight (expressed in tons) of the covered primary good, multiplied by

“(cc) the carbon price.

“(iii) CALCULATION FOR CERTAIN FOREIGN GOODS.—For purposes of clause (i)(I)(aa), the amount determined under this clause with respect to any covered primary good shall be equal to the product of—

“(I) an amount equal to the quotient of—

“(aa) the carbon intensity of the general economy (as determined under section 4691(b)(3)(D)) of the country of origin of such good, divided by

“(bb) the carbon intensity of the general economy (as so determined) of the United States,
“(II) an amount equal to the applicable percentage of the relevant carbon intensity for such good.

“(B) Charge due.—The charge imposed under this paragraph with respect to any goods imported during any calendar year shall be paid by the entity which imported such goods not later than September 30 of the calendar year subsequent to such year.

“(C) Exclusion.—

“(i) In general.—Subject to clause (ii), in the case of any covered primary good (including any covered primary good which is a component part of a finished good) which is imported into the United States and was produced in a relatively least developed country (as described in section 124 of the Foreign Assistance Act of 1961 (22 U.S.C. 2151v)), this paragraph shall not apply.

“(ii) Exception.—Clause (i) shall not apply if the country described in such clause produces at least 3 percent of total global exports by value of the covered primary good.
“(D) CARBON CLUBS.—If the Secretary (in coordination with the relevant parties) de-
determines that a foreign country has imple-
mented policies which impose explicit costs on
the emission of greenhouse gases which are ma-
terially similar to the charges imposed pursuant
to the provisions of this subchapter, the charge
(or a percentage of the charge which is equiva-
 lent to the costs imposed by the foreign coun-
try) which would otherwise be imposed under
this section with respect to covered primary
goods produced in such foreign country may be
waived.

“(E) RELEVANT CARBON INTENSITY.—In
this paragraph, the term ‘relevant carbon inten-
sity’ means, with respect to any covered pri-
mary good—

“(i) except as provided in clause (ii),
the carbon intensity (as determined under
section 4691(b)(1)(B)) for the covered na-
tional industry which includes such good,
or

“(ii) in the case of any covered pri-
mary good which is included in a petition
described in clause (i) of section
4691(b)(1)(C) which is approved by the Secretary pursuant to clause (ii) of such section, the carbon intensity of such good as determined under such section.

“(2) DOMESTIC PRODUCTION OF COVERED PRIMARY GOODS.—

“(A) IN GENERAL.—In the case of any eligible facility, for each calendar year beginning after December 31, 2024, there is hereby imposed a charge in an amount (rounded to the nearest dollar) equal to the product of—

“(i) the amount (if any) by which the carbon intensity of such facility (as determined under subparagraph (A) of section 4691(b)(1)) exceeds—

“(I) an amount equal to the applicable percentage of the carbon intensity for the covered national industry (as determined under subparagraph (B) of section 4691(b)(1)) which includes any covered primary good produced by such facility, or

“(II) in the case of a covered primary good produced by such facility which is subject to an approved peti-
tion under subparagraph (C) of such section, an amount equal to the applicable percentage of the carbon intensity determined with respect to such good, multiplied by

“(ii) the total weight (expressed in tons) of any covered primary goods produced by such facility during such calendar year, multiplied by

“(iii) the carbon price.

“(B) Charge due.—The charge imposed under this paragraph with respect to any calendar year shall be paid by the covered entity not later than September 30 of the calendar year subsequent to such year.

“(b) Applicable percentage.—For purposes of paragraphs (1)(A) and (2)(A) of subsection (a), the applicable percentage shall be—

“(1) for calendar year 2025, 100 percent,

“(2) for calendar years 2026 through 2029, the applicable percentage for the preceding calendar year, reduced by 2.5 percentage points, and

“(3) for any calendar year subsequent to calendar year 2029, the applicable percentage for the
preceding calendar year, reduced by 5 percentage points (but not less than zero).

“(c) Carbon Price.—

“(1) In general.—For purposes of paragraphs (1)(A) and (2)(A) of subsection (a), the carbon price shall be—

“(A) for 2025, $55, and

“(B) for each calendar year subsequent to the calendar year described in subparagraph (A), an amount equal to the sum of—

“(i) the carbon price for the preceding year, plus

“(ii) an amount equal to—

“(I) the amount described in clause (i), multiplied by

“(II) the percentage by which the CPI for the preceding calendar year exceeds the CPI for the second preceding calendar year, increased by 5 percentage points.

“(2) CPI.—Rules similar to the rules of paragraphs (4) and (5) of section 1(f) shall apply for purposes of this subsection.
“(3) Rounding.—Any applicable amount determined under this subsection which is not a multiple of $1 shall be rounded to the nearest dollar.

“SEC. 4693. REBATE.

“(a) Exportation of Covered Primary Good.—In the case of a person who exports any covered primary good from the United States which was produced in an eligible facility for which a charge has been imposed under section 4692, a refund shall be allowed to such person in the same manner as if it were an overpayment of the charge imposed by such section in an amount equal to the charge that would be imposed under subsection (a)(1)(A)(i) of such section with respect to such good if the carbon intensity with respect to such eligible facility were determined under section 4691(b)(1)(A) by substituting ‘all eligible facilities by the covered entity which produced the covered primary good described in section 4693(a)(1)’ for ‘such facility’ each place it appears in such section.

“(b) Exportation of Finished Good.—In the case of a person who exports any finished good from the United States for which a charge has been imposed under section 4692 on such finished good or any of its components, a refund shall be allowed to such person in the same manner as if it were an overpayment of the charge im-
posed by such section in an amount equal to the charge
that would otherwise be imposed under such section with
respect to such finished good (as determined pursuant to
subsection (a)(1)(A)(ii) of such section).

“SEC. 4694. DEFINITIONS.

“For purposes of this subchapter—

“(1) ADMINISTRATOR.—The term ‘Administrator’ means the Administrator of the Environmental Protection Agency.

“(2) CO2-e.—

“(A) IN GENERAL.—Subject to subparagraph (B), the term ‘CO2-e’ means, with respect to a greenhouse gas, the quantity of such gas that has a global warming potential equivalent to 1 metric ton of carbon dioxide, as determined pursuant to table A–1 of subpart A of part 98 of title 40, Code of Federal Regulations, as in effect on the date of the enactment of this subchapter.

“(B) METHANE.—In the case of methane, the term ‘CO2-e’ means the quantity of methane that has the same global warming potential over a 20-year period as 1 metric ton of carbon dioxide, as determined by the Administrator.
“(3) COVERED ENTITY.—The term ‘covered entity’ means any entity which—

“(A) produces any covered primary good, and

“(B) is required to report emissions of greenhouse gases under the Greenhouse Gas Reporting Program (or would be required to report such emissions notwithstanding any other provision of law prohibiting the implementation of or use of funds for such requirements).

“(4) COVERED NATIONAL INDUSTRY.—

“(A) IN GENERAL.—Except as provided under section 4691(b)(1)(B)(ii), the term ‘covered national industry’ means any industry which is assigned a 6-digit NAICS code which is included in any of the following clauses:

“(i) 211120 (petroleum extraction).

“(ii) 211130 (natural gas extraction).

“(iii) 212114 (surface coal mining).

“(iv) 212115 (underground coal mining).

“(v) 322110 (pulp mills).

“(vi) 322120 (paper mills).

“(vii) 322130 (paperboard mills).

“(viii) 324110 (petroleum refineries).
“(ix) 324121 (asphalt paving mixture and block manufacturing).

“(x) 324122 (asphalt shingle and coating materials manufacturing).

“(xi) 324199 (all other petroleum and coal products manufacturing).

“(xii) 325110 (petrochemical manufacturing).

“(xiii) 325120 (industrial gas manufacturing).

“(xiv) 325193 (ethyl alcohol manufacturing).

“(xv) 325199 (other basic organic chemical manufacturing).

“(xvi) 325311 (nitrogenous fertilizer manufacturing).

“(xvii) 327211, 327212, 327213, or 327215 (glass).

“(xviii) 327310 (cement).

“(xix) 327410 or 327420 (lime and gypsum product manufacturing).

“(xx) 331110 (iron and steel).

“(xxi) 331313 or 331314 (aluminum).

“(B) EXCEPTIONS.—
“(i) Industrial gas manufacturing.—Subparagraph (A)(xiii) shall apply only with respect to the production of hydrogen.

“(ii) Other basic organic chemical manufacturing.—Subparagraph (A)(xv) shall apply only with respect to the production of adipic acid.

“(5) Covered primary good.—The term ‘covered primary good’ means any good which is produced as part of a trade or business operating within a covered national industry, and includes (except as otherwise provided under section 4691(b)(1)(C)) any good classifiable under the same 6-digit subheading of the Harmonized Tariff Schedule of the United States.

“(6) Eligible facility.—The term ‘eligible facility’ means any facility (as such term is defined for purposes of the Greenhouse Gas Reporting Program) which is—

“(A) operated by a covered entity for the production of any covered primary good, and

“(B) located within the United States.

“(7) Finished good.—
“(A) IN GENERAL.—The term ‘finished good’ means any good which—

“(i) for calendar years 2027 and 2028—

“(I) contains greater than 500 pounds of any combination of any covered primary goods, or

“(II) was produced from inputs of any combination of covered primary goods, the value of which comprise more than 90 percent of the total value of the material inputs involved in the production of such good,

“(ii) for calendar years 2029 and 2030—

“(I) contains greater than 100 pounds of any combination of any covered primary goods, or

“(II) was produced from inputs of any combination of covered primary goods, the value of which comprise more than 75 percent of the total value of the material inputs involved in the production of such good, and
“(iii) for any calendar year after calendar year 2030—

“(I) contains greater than such amount as is determined by the Secretary (as determined in coordination with the relevant parties, and which shall not be greater than 100 pounds) of any combination of any covered primary goods, or

“(II) was produced from inputs of any combination of covered primary goods, the value of which comprise more than such percentage as is determined by the Secretary (as determined in coordination with the relevant parties, and which shall not be greater than 75 percent) of the total value of the material inputs involved in the production of such good.

“(B) EXCEPTION.—The term ‘finished good’ shall not include any waste or scrap product which is imported or exported.

“(8) GREENHOUSE GAS.—The term ‘greenhouse gas’ has the meaning given such term under section
(o)(1)(G) of the Clean Air Act, as in effect on the date of the enactment of this subchapter.

“(9) GREENHOUSE GAS EMISSIONS.—The term ‘greenhouse gas emissions’ means the amount of greenhouse gases, expressed in metric tons of CO2-e, which were emitted to the atmosphere.


“(11) NAICS.—The term ‘NAICS’ means the North American Industrial Classification System.

“(12) REGIONAL GRID.—The term ‘regional grid’ means the smallest defined region of interconnected power grid (including power generation assets) from which a facility draws power that accounts for the total power supplied to the facility by the grid and for which there is reliable data.

“(13) RELEVANT PARTIES.—The term ‘relevant parties’ means—

“(A) the Administrator,

“(B) the Secretary of Energy,

“(C) the Secretary of Commerce,
“(D) the United States Trade Representative, and
“(E) the Chair and Vice Chair of the United States International Trade Commission.”.

(b) Clerical Amendment.—The table of subchapters for chapter 38 of the Internal Revenue Code of 1986 is amended by adding at the end thereof the following new item:

“SUBCHAPTER E—CARBON INTENSITY CHARGE”.

(c) Grant Program.—

(1) In general.—For fiscal year 2026 and each subsequent fiscal year, there are appropriated, out of any funds in the Treasury not otherwise appropriated, to the Department of the Treasury amounts equal to applicable amount for the preceding fiscal year, with such amounts to be used by the Secretary, in conjunction with the Secretary of Energy and the Administrator of the Environmental Protection Agency, to establish a competitive grant program to award grants to eligible entities for investments in new technology—

(A) in the case of an existing eligible facility, to reduce their carbon intensity, and

(B) in the case of a proposed eligible facility, to ensure best-in-class carbon intensity.
(2) Modeled on Diesel Emissions Reduction Act.—For purposes of the program described in paragraph (1), such program shall be administered in a manner similar to the national grant program of the Environmental Protection Agency under subtitle G of title VII of the Energy Policy Act of 2005 (42 U.S.C. 16131 et seq.).

(3) Awarding of Grant Amounts.—For purposes of awarding grants under the program described in paragraph (1), the Secretary (in conjunction with the Administrator and the Secretary of Energy) shall—

(A) give preference to proposed investments—

(i) that would result in the greatest decrease in carbon intensity,

(ii) for facilities located in economically distressed communities that have experienced a loss of manufacturing jobs,

(iii) that would maximize improvement in local air quality, or

(iv) for facilities located in communities with high cumulative pollution burdens (as determined by the Administrator),

and
(B) allocate grant funds to eligible facilities and proposed eligible facilities which produce covered primary goods that are included within a covered national industry in approximate proportion to the share of total greenhouse gas emissions for which such industry is responsible for emitting.

(4) RECAPTURE.—In the case of any eligible entity which has been awarded a grant under the program described in paragraph (1) with respect to any eligible facility or proposed eligible facility, if such entity fails to—

(A) within 3 years of the awarding of such grant, complete the proposed investments in new technology at such facility, or

(B) during the 10-year period after such investments are placed in service—

(i) in the case of an existing eligible facility, achieve and maintain the reduction in carbon intensity proposed in the application for such grant, or

(ii) in the case of a proposed eligible facility, achieve and maintain the best-in-class carbon intensity proposed in the application for such grant,
the Secretary shall recapture, pursuant to such reg-
ulations or other guidance issued by the Secretary,
the amount of the grant awarded with respect to
such facility.

(5) APPLICABLE AMOUNT.—For purposes of
this subsection, the term “applicable amount”
means, with respect to any fiscal year, an amount
equal to 75 percent of the increase in revenues to
the Treasury during such fiscal year by reason of
the application of subchapter E of chapter 38 of the
Internal Revenue Code of 1986 (as added by sub-
section (a)).

(6) DEFINITIONS.—For purposes of this sub-
section—

(A) IN GENERAL.—The terms “covered na-
tional industry”, “eligible facility”, and “cov-
ered primary good” shall have the same mean-
ing given such terms under section 4694 of the
Internal Revenue Code of 1986 (as added by sub-
section (a)).

(B) BEST-IN-CLASS CARBON INTENSITY.—
The term “best-in-class carbon intensity”
means, with respect to any proposed eligible fa-
cility, that the carbon intensity of such facility
would be not greater than the carbon intensity
of the existing facility with the lowest carbon
intensity within the relevant covered national
industry (as determined of the date of the ap-
plication for a grant under the program de-
scribed in paragraph (1)).

(C) ELIGIBLE ENTITY.—The term “eligible
entity” means any person which operates an eli-
gible facility or will operate a proposed eligible
facility.

(D) SECRETARY.—The term “Secretary”
means the Secretary of the Treasury (or the
Secretary’s delegate).

(d) Economic Support Fund of Department of
State.—

(1) IN GENERAL.—For fiscal year 2026 and
each subsequent fiscal year, in addition to amounts
otherwise available, there are appropriated, out of
any funds in the Treasury not otherwise appro-
priated, to the Department of State an amount
equal to the applicable amount for the preceding fis-
cal year, with such amount to be made available for
bilateral and multilateral assistance to support cli-
mate and clean energy programs.

(2) APPLICABLE AMOUNT.—For purposes of
this subsection, the term “applicable amount”
means, with respect to any fiscal year, an amount equal to 25 percent of the increase in revenues to the Treasury during such fiscal year by reason of the application of subchapter E of chapter 38 of the Internal Revenue Code of 1986 (as added by subsection (a)).