# THE CARBON LIMITS AND ENERGY FOR AMERICA'S RENEWAL (CLEAR) ACT:

**How the CLEAR Act Works:**

- Beginning in 2012, the President sets the initial target amount of carbon from fossil fuels that can be emitted to the atmosphere without disrupting the economy, using a gradually declining "cap." The concept is to gradually accelerate emission reductions.

- Revenue generated by carbon permits comes from producers and importers of coal, natural gas and oil. In other words, a power plant that burns coal does not buy carbon permits; it is paid by the mining company that mined the coal.

- The level of carbon emissions remains at the level set by the President for the first three years. After that, the carbon cap increases by a quarter of a percentage point each year, from the previous year.
  - For example, the cap on pollution in 2016 is 0.25% less than 2015, in 2017 the cap is 0.5% less than 2016, in 2018 the cap is 0.75% less than 2017, and so on

- This formula, combined with spending from the Clean Energy Reinvestment Trust Fund will help us achieve the following goals for reducing carbon pollution:
  - **20% lower** global warming pollution by 2020 (relative to 2005)
  - **30% lower** global warming pollution by 2025 (relative to 2005)
  - **42% lower** global warming pollution by 2030 (relative to 2005)
  - **83% lower** global warming pollution by 2050 (relative to 2005)

- Those goals are achieved by the specified carbon reductions and reductions in additional greenhouse gases that harm the atmosphere, such as methane and hydroflorocarbons, and by investment in carbon sequestration projects.

- The cap works by limiting the amount of fossil fuel carbon that producers and importers of coal, natural gas, and oil can sell into the U.S. economy.
  - The CLEAR Act's "upstream" point of regulation means that only **2,000 to 3,000 fossil fuel producers and importers** will face any new compliance obligations, greatly reducing any regulatory bureaucracy.

- **Carbon permit prices will be determined by the bidding process** among fossil fuel companies participating in monthly auctions. Only entities with a compliance obligation are eligible to participate in auctions—no Wall Street traders or speculators are allowed in.

- To minimize price volatility for consumers, fuel producers, and investors in new energy technologies, **a price collar governs carbon permit prices**.

- **75% of auction revenues are given back to consumers directly each month on an equal per capita basis** to offset energy cost increases.
    - Average annual refunds for a family of four are estimated to be approximately $1000.
    - 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.

- **25% of auction revenues go into the Clean Energy Reinvestment Trust Fund** to pay for additional greenhouse gas emissions reductions, low-carbon energy investment, climate change adaptation, and related regional economic adjustment projects.