

Proposed Allowance Allocation

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Emission allowances will be allocated to accomplish three primary goals: (1) to protect consumers from energy price increases; (2) to assist industry in the transition to a clean energy economy; and (3) to spur energy efficiency and the development and deployment of clean energy technology. A small amount of allowances will be allocated to prevent deforestation and support national and international adaptation efforts and for other purposes.

Consumer Protection

Protection from Electricity Price Increases: The electricity sector will receive 35% of the allowances, representing 90% of current utility emissions. Local electric distribution companies, whose rates are regulated by the states, will receive 30% of the allowances, which they must use to protect consumers from electricity price increases. Merchant coal and long-term power purchase agreements will receive 5% of the allowances. These allowances will be distributed according to a formula recommended by the utility industry and will phase out over a five-year period from 2026 through 2030.

Protection from Natural Gas Price Increases: Local natural gas distribution companies, whose rates are regulated by the states, will receive 9% of allowances, which they must use to protect consumers from natural gas price increases. These allowances will phase out over a five-year period from 2026 through 2030.

Protection from Home Heating Oil Price Increases: States will receive 1.5% of allowances for programs to benefit users of home heating oil and propane. These allowances will phase out over a five-year period from 2026 through 2030.

Protection of Low- and Moderate-Income Households: 15% of allowances will be auctioned each year and the proceeds of these allowances will be distributed to low- and moderate-income families to protect them from other energy cost increases. These allowances will be distributed through tax credits, direct payments, and electronic benefit payments and will not phase out.

Transition Assistance for Industry

Protection for Energy-Intensive, Trade-Exposed Industries: Pursuant to the Inslee-Doyle program, energy-intensive, trade-exposed industries will receive allowances to cover their increased costs from the global warming protection program. The number of allowances set aside for this program will equal 15% of the allowances in 2014 and then decrease based on the percent reductions in the emissions targets. These allowances will phase out after 2025 unless the President decides the program is still needed.

Protection for Domestic Energy Production: Oil refiners will receive 2% of allowances starting in 2014 and ending in 2026.