



General Assembly

January Session, 2017

Raised Bill No. 7247

LCO No. 4816



Referred to Committee on ENVIRONMENT

Introduced by:
(ENV)

***AN ACT ESTABLISHING A CARBON PRICE FOR FOSSIL FUELS
SOLD IN CONNECTICUT.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage*) (a) For the purposes of this
2 section:

3 (1) "Carbon dioxide equivalent" means a unit of measure that is
4 used to compare the emissions from various greenhouse gases based
5 upon their global warming potential;

6 (2) "Carbon price" means the fee imposed by the provisions of
7 subsection (b) of this section;

8 (3) "Clean energy and jobs account" means the account established
9 pursuant to subsection (c) of this section;

10 (4) "Authority" means the Public Utilities Regulatory Authority;

11 (5) "Electricity fuel mix" means the mix of fuels for any one-year
12 period used to create electricity by generators within the control area

13 of ISO-NE;

14 (6) "Employer" means any person, firm, corporation, partnership,
15 association or public body, whether for profit or not-for-profit, that is
16 located in Connecticut and employs Connecticut residents;

17 (7) "Fossil fuel" means coal, oil, natural gas, propane or any other
18 petroleum product. "Fossil fuel" does not include renewable biomass
19 or waste vegetable oil biodiesel;

20 (8) "Independent System Operator-New England" or "ISO-NE"
21 means the regional transmission organization for New England
22 licensed by the Federal Energy Regulatory Commission pursuant to
23 the Federal Power Act;

24 (9) "Low-income residential property" means a dwelling unit owned
25 or occupied by a household eligible to receive benefits under the low-
26 income home energy assistance program, including any premises that
27 contain multiple dwelling units, provided fifty per cent or more of
28 such dwelling units are occupied by eligible households under such
29 energy assistance program;

30 (10) "Person" means any individual, partnership, corporation,
31 company, society or association, whether created for profit or not-for-
32 profit purposes;

33 (11) "Petroleum product" means any petroleum derivative that is
34 commonly burned to produce heat, electricity or motion or that is
35 commonly processed to produce synthetic gas for burning, including,
36 but not limited to, propane, gasoline, unleaded gasoline, kerosene,
37 heating oil, diesel fuel, kerosene-based jet fuel and number 4 oil,
38 number 5 oil and residual oil for utility and nonutility uses;

39 (12) "Resident" means any person eighteen years of age or older
40 who is a resident of Connecticut;

41 (13) "Small business property" means the premises, whether owned

42 or leased, of any employer, other than a public body, that is a small
43 business, as defined by the United States Small Business
44 Administration.

45 (b) The Commissioner of Revenue Services, in conjunction with the
46 Commissioner of Consumer Protection, shall collect a fee on all fossil
47 fuels sold in this state for the purpose of distribution or use in this
48 state, at the rate specified in subdivision (1) of this subsection and in
49 the manner specified in this subsection. Such fee shall be assessed at
50 the first point of sale in this state.

51 (1) Beginning January 1, 2019, and ending December 31, 2019, such
52 fee shall be charged at a rate of fifteen dollars per ton of carbon dioxide
53 equivalent that would be released by burning such fuel. Beginning
54 January 1, 2020, and each year thereafter, such fee shall increase by not
55 less than five dollars per ton from the prior year's rate unless the
56 Carbon Pollution Council, as established in subsection (e) of this
57 section, determines that such increase should be another amount. The
58 Commissioner of Revenue Services shall calculate and publish the rate,
59 in dollars, not later than December first of each year.

60 (2) Notwithstanding the provisions of subdivision (1) of this
61 subsection, for sales of fossil fuels where greenhouse gas emissions
62 from such fossil fuels will be permanently sequestered and not
63 released into the atmosphere, the fee as calculated pursuant to
64 subdivision (1) of this subsection shall be reduced by the
65 Commissioner of Revenue Services in proportion to the amount of
66 carbon dioxide equivalent that is to be sequestered. The Commissioner
67 of Energy and Environmental Protection shall verify that for any such
68 reduction, such emissions are sequestered and not released into the
69 atmosphere.

70 (3) Each supplier of electricity, including each electric distribution
71 company operating in the state and all competitive suppliers of
72 electricity to end users, shall pay the fee described in subdivision (1) of

73 this subsection on behalf of each end user on the basis of each kilowatt-
74 hour of electricity used by each end user. The per-kilowatt-hour fee to
75 be paid by the supplier or distributor of electricity shall be calculated
76 by the Commissioner of Revenue Services in the following manner:

77 (A) Such fee shall be calculated on an annual basis, based on the
78 electricity fuel mix.

79 (B) The carbon dioxide equivalent of every kilowatt-hour of
80 electricity shall be determined by multiplying the weighted average of
81 the natural gas, coal and oil portions of the fuel mix by the amount of
82 carbon dioxide equivalent created per kilowatt-hour of electricity
83 produced by each such fuel, as determined by the United States
84 Energy Information Administration.

85 (C) The Commissioner of Revenue Services shall deduct from any
86 such fee an amount equal to the amount such electricity supplier or
87 distributor paid during the same year for the purpose of Regional
88 Greenhouse Gas Initiative auctions and New England Power Pool
89 Generation Information System certificates, provided the amount
90 deducted pursuant to this subparagraph shall not be greater than the
91 total amount of the fee as calculated in accordance with the provisions
92 of this subsection.

93 (D) Not later than April first of each year, each supplier or
94 distributor of electricity shall file with the Public Utilities Regulatory
95 Authority a proposed calculation for the year beginning July first of
96 such year. Such filing shall include sufficient supporting data, as
97 determined by the authority, to enable the authority to verify whether
98 the calculation by the electricity supplier or distributor was made fully
99 in accordance with the provisions of this subsection. Upon receipt of
100 any such calculation the authority shall open a docket. The purpose of
101 such docket shall be for the authority to determine whether the
102 calculation by the electric supplier or distributor was made in
103 accordance with the provisions of this subsection. If the authority

104 determines that the calculation by the electric supplier or distributor
105 was made fully in accordance with the provisions of this subsection,
106 the authority shall, not later than May fifteenth of such year, issue an
107 order approving the calculation. If the authority determines that the
108 calculation does not fully comply with the provisions of this
109 subsection, the authority shall issue an order that clearly states the
110 errors that were made by the electric supplier or distributor. In the
111 event of a finding by the authority of such noncompliance, the electric
112 supplier or distributor shall have twenty-one days from receipt of such
113 order to make a compliance filing with the authority that corrects any
114 errors identified in the authority's order. Any filing that is determined
115 by the authority to be in full compliance with the provisions of this
116 subsection shall be forwarded by the authority to the Commissioner of
117 Revenue Services for purposes of conducting the commissioner's
118 calculation pursuant to subparagraph (C) of this subdivision.

119 (E) Any person that generates twenty-five thousand kilowatt-hours
120 or more of electricity for on-site use using any combination of one or
121 more fossil fuels shall pay the carbon price that is calculated by
122 multiplying the quantity of each separate fossil fuel combusted to
123 produce electricity by the carbon dioxide equivalent emissions of each
124 separate fuel combusted. Not later than one year following the
125 effective date of this section, the Commissioner of Revenue Services
126 shall develop procedures for the regular and efficient calculation,
127 assessment and collection of such carbon price amounts. Any fee paid
128 on such fuel pursuant to any other provision of this subsection shall be
129 deducted from the fee required by this subparagraph.

130 (4) Each distribution company for natural gas shall pay the fee
131 required by this subsection on behalf of each of such company's
132 customers. Such fee shall be calculated by multiplying the number of
133 cubic feet of natural gas used by each customer by the amount of
134 carbon dioxide equivalent released by burning one cubic foot of
135 natural gas, as determined by the United States Energy Information
136 Administration.

137 (5) Notwithstanding the provisions of subdivision (4) of this
138 subsection, the Public Utilities Regulatory Authority shall determine
139 the amount of carbon dioxide equivalent that is released in the form of
140 escaped methane due to the extraction, transport or distribution of
141 natural gas before the point of consumption in this state and shall add
142 an additional charge to the carbon price for all natural gas or natural-
143 gas-based electricity, based on the rate specified in this subsection (b).
144 The authority shall publish the amount of such additional charge not
145 later than December tenth of each year.

146 (6) Any entity with a primary business purpose to provide public
147 transportation that enables energy efficiency in the state economy shall
148 not be subject to the cost of any fee set forth in this subsection for the
149 portion of such business that provides public transportation.

150 (7) The Commissioner of Revenue Services shall commence the
151 collection of the fee described in this subsection following the adoption
152 of regulations, in accordance with the provisions of chapter 54 of the
153 general statutes, but in no case later than January 1, 2019.

154 (8) The Commissioner of Revenue Services shall reduce the fee
155 established in this subsection by the amount of any fee or payment due
156 under any federal law that sets a carbon price on the same fossil fuels
157 for the same year as described in this subsection, provided such
158 reduction shall not be in an amount of less than zero.

159 (c) There is established a restricted account in the General Fund to
160 be known as the "clean energy and jobs account." Any fee collected
161 pursuant to subsection (b) of this section shall be deposited in the clean
162 energy and jobs account.

163 (1) Unexpended balances remaining in the clean energy and jobs
164 account shall not revert to the General Fund. Funds in such account
165 shall be used solely to carry out the provisions of this section, and to
166 help residents and employers transition to cleaner energy options and
167 mitigate any potential economic harm from the carbon fee imposed

168 pursuant to this section, in accordance with the provisions of
169 subdivision (2) of this subsection.

170 (2) The Department of Revenue Services shall use the funds from
171 the clean energy and jobs account as follows:

172 (A) Twenty-five per cent of such funds shall be used for the
173 purposes of climate resilience, energy efficiency, energy conservation
174 and renewable energy programs that benefit low-income residential
175 properties and small business properties where there is a low level of
176 participation in energy efficiency and renewable energy programs, as
177 administered by the Connecticut Green Bank, the Department of
178 Energy and Environmental Protection and the Public Utilities
179 Regulatory Authority;

180 (B) Thirty per cent shall be used to provide direct dividends to
181 employers in the state, in a manner that is consistent with the
182 provisions of this section;

183 (C) Forty per cent shall be used to provide direct dividends to
184 residents in the state, in a manner that is consistent with the provisions
185 of this section;

186 (D) Not more than five per cent shall be used to pay for
187 administrative costs associated with collecting the fee described in this
188 section, administering the clean energy and jobs account and carrying
189 out other responsibilities assigned to the Public Utilities Regulatory
190 Authority and the Department of Revenue Services pursuant to this
191 section. Any unexpended revenue from such five per cent shall be
192 reallocated for the purposes of subparagraph (A) of this subdivision.
193 From the period commencing on the effective date of this section until
194 the implementation of the regulations necessary for the collection of
195 fees provided for under this section, the administrative allocation
196 pursuant to this subparagraph shall be the actual administrative costs,
197 not to exceed ten per cent of the revenue deposited into the clean
198 energy and jobs account, and the amount of revenues utilized for the

199 purposes of subparagraph (A) of this subdivision shall be reduced by
200 the amount that such administrative costs exceed five per cent of the
201 funds in such account.

202 (E) (i) The dividends described in subparagraphs (B) and (C) of this
203 subdivision shall be implemented, at the discretion of the
204 Commissioner of Revenue Services, through a refundable credit added
205 to tax returns for residents and employers that file tax returns. For
206 residents and employers who do not file taxes, dividends shall be
207 granted in the form of direct checks. The Commissioner of Revenue
208 Services shall make reasonable efforts to ensure that every resident
209 and employer, regardless of whether or not a particular resident or
210 employer files tax returns or actually owes taxes, including not-for-
211 profit organizations and government entities, receives such a dividend.

212 (ii) Such dividends shall be calculated based on estimated increased
213 costs and distributed at the beginning of each year. The first set of
214 dividends shall be distributed not later than December 31, 2019, based
215 on estimated increased costs from the period beginning January 1,
216 2019, to December 31, 2019, and that may be subject to cost
217 reconciliation based on actual total costs by June 30, 2019.

218 (iii) Each resident shall receive a dividend in the same amount.
219 Every resident who is a head of household with children or
220 dependents under the age of eighteen shall have the dividend
221 increased based on the number of children or dependents under the
222 age of eighteen in residence, with each child adding the value of one
223 equal dividend amount.

224 (iv) Every employer shall receive a dividend proportional, in terms
225 of full-time equivalent employees, to the employer's share of total
226 employment in the state.

227 (F) Not later than January 1, 2020, and each year thereafter, the
228 Commissioner of Revenue Services shall submit a report, in
229 accordance with section 11-4a of the general statutes, to the Governor

230 and the General Assembly concerning the expenditures from the clean
231 energy and jobs account for the most recently completed fiscal year
232 and shall include information and plans for the distribution of any
233 balance remaining in the fund.

234 (d) The Commissioner of Revenue Services, the Public Utilities and
235 Regulatory Authority and the Department of Energy and
236 Environmental Protection shall jointly adopt regulations, in accordance
237 with the provisions of chapter 54 of the general statutes, to implement
238 the provisions of this section. Such regulations shall include, but not be
239 limited to, provisions for the calculation, assessment, implementation
240 and collection of the fee described in this section. Additionally, such
241 regulations shall contain provisions for the calculation and distribution
242 of dividends to residents and employers in accordance with the
243 provisions of this section.

244 (e) There is established the Carbon Pollution Council. Such council
245 shall consist of the Commissioner of Revenue Services, the
246 Commissioner of Energy and Environmental Protection, the Chairman
247 of the Public Utilities Regulatory Authority and thirty-six additional
248 members, each of whom shall be jointly appointed by the Governor,
249 the speaker of the House of Representatives and the president pro
250 tempore of the Senate and each of whom shall have experience or
251 expertise in one or more of the following areas or business sectors:
252 Consumer products, green industries, manufacturing, chemical
253 engineering, technology or environmental conservation. Such thirty-six
254 additional members shall consist of six members for each area or
255 business sector identified in this subsection. The purpose of such
256 council shall be to determine the amount of the fee described in this
257 section that is required to achieve the emissions reductions specified in
258 the Global Warming Solutions Act of 2006 (AB 32) and the amount and
259 frequency of any increase in such fee. The council may seek federal
260 funding and grants from nonprofit organizations to fund consultant
261 costs associated with undertaking the council's responsibilities
262 pursuant to this section.

263 (f) (1) The provisions of this section shall take effect upon: (1) The
264 states of Massachusetts and Rhode Island enacting a fee on fossil fuels
265 sold in said states at a rate of not less than ten dollars per ton; and (2)
266 the Carbon Pollution Council's determination of the appropriate
267 amount for the fee described in this section.

268 (2) In the event that federal law establishes a carbon price at a rate
269 that is greater than the fee established to the provisions of this section,
270 the provisions of this section shall be enforced by any state agency or
271 department.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section

Statement of Purpose:

To establish a carbon price for fossil fuels sold in the state.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]