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:

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

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

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

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

4. "Authority" means the Public Utilities Regulatory Authority;

5. "Electricity fuel mix" means the mix of fuels for any one-year period used to create electricity by generators within the control area.
(6) "Employer" means any person, firm, corporation, partnership, association or public body, whether for profit or not-for-profit, that is located in Connecticut and employs Connecticut residents;

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

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

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

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

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

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

(13) "Small business property" means the premises, whether owned
or leased, of any employer, other than a public body, that is a small business, as defined by the United States Small Business Administration.

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

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

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

(3) Each supplier of electricity, including each electric distribution company operating in the state and all competitive suppliers of electricity to end users, shall pay the fee described in subdivision (1) of
this subsection on behalf of each end user on the basis of each kilowatt-hour of electricity used by each end user. The per-kilowatt-hour fee to be paid by the supplier or distributor of electricity shall be calculated by the Commissioner of Revenue Services in the following manner:

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

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

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

(D) Not later than April first of each year, each supplier or distributor of electricity shall file with the Public Utilities Regulatory Authority a proposed calculation for the year beginning July first of such year. Such filing shall include sufficient supporting data, as determined by the authority, to enable the authority to verify whether the calculation by the electricity supplier or distributor was made fully in accordance with the provisions of this subsection. Upon receipt of any such calculation the authority shall open a docket. The purpose of such docket shall be for the authority to determine whether the calculation by the electric supplier or distributor was made in accordance with the provisions of this subsection. If the authority
determines that the calculation by the electric supplier or distributor was made fully in accordance with the provisions of this subsection, the authority shall, not later than May fifteenth of such year, issue an order approving the calculation. If the authority determines that the calculation does not fully comply with the provisions of this subsection, the authority shall issue an order that clearly states the errors that were made by the electric supplier or distributor. In the event of a finding by the authority of such noncompliance, the electric supplier or distributor shall have twenty-one days from receipt of such order to make a compliance filing with the authority that corrects any errors identified in the authority's order. Any filing that is determined by the authority to be in full compliance with the provisions of this subsection shall be forwarded by the authority to the Commissioner of Revenue Services for purposes of conducting the commissioner's calculation pursuant to subparagraph (C) of this subdivision.

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

(4) Each distribution company for natural gas shall pay the fee required by this subsection on behalf of each of such company's customers. Such fee shall be calculated by multiplying the number of cubic feet of natural gas used by each customer by the amount of carbon dioxide equivalent released by burning one cubic foot of natural gas, as determined by the United States Energy Information Administration.
(5) Notwithstanding the provisions of subdivision (4) of this subsection, the Public Utilities Regulatory Authority shall determine the amount of carbon dioxide equivalent that is released in the form of escaped methane due to the extraction, transport or distribution of natural gas before the point of consumption in this state and shall add an additional charge to the carbon price for all natural gas or natural-gas-based electricity, based on the rate specified in this subsection (b). The authority shall publish the amount of such additional charge not later than December tenth of each year.

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

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

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

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

(1) Unexpended balances remaining in the clean energy and jobs account shall not revert to the General Fund. Funds in such account shall be used solely to carry out the provisions of this section, and to help residents and employers transition to cleaner energy options and mitigate any potential economic harm from the carbon fee imposed
pursuant to this section, in accordance with the provisions of subdivision (2) of this subsection.

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

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

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

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

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

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

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

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

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

(F) Not later than January 1, 2020, and each year thereafter, the
Commissioner of Revenue Services shall submit a report, in
accordance with section 11-4a of the general statutes, to the Governor
and the General Assembly concerning the expenditures from the clean
energy and jobs account for the most recently completed fiscal year
and shall include information and plans for the distribution of any
balance remaining in the fund.

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

(e) There is established the Carbon Pollution Council. Such council
shall consist of the Commissioner of Revenue Services, the
Commissioner of Energy and Environmental Protection, the Chairman
of the Public Utilities Regulatory Authority and thirty-six additional
members, each of whom shall be jointly appointed by the Governor,
the speaker of the House of Representatives and the president pro
tempore of the Senate and each of whom shall have experience or
expertise in one or more of the following areas or business sectors:
Consumer products, green industries, manufacturing, chemical
engineering, technology or environmental conservation. Such thirty-six
additional members shall consist of six members for each area or
business sector identified in this subsection. The purpose of such
council shall be to determine the amount of the fee described in this
section that is required to achieve the emissions reductions specified in
the Global Warming Solutions Act of 2006 (AB 32) and the amount and
frequency of any increase in such fee. The council may seek federal
funding and grants from nonprofit organizations to fund consultant
costs associated with undertaking the council's responsibilities
pursuant to this section.
(f) (1) The provisions of this section shall take effect upon: (1) The states of Massachusetts and Rhode Island enacting a fee on fossil fuels sold in said states at a rate of not less than ten dollars per ton; and (2) the Carbon Pollution Council's determination of the appropriate amount for the fee described in this section.

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

This act shall take effect as follows and shall amend the following sections:

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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.]