CENTER FOR CLIMATE AND ENERGY SOLUTIONS

U.S. POLICY

Carbon Pricing Proposals in the 119th Congress

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Placing a price on carbon provides a market-based solution to mitigating climate change. These approaches (e.g., carbon tax, cap and trade) provide flexible and cost-effective pathways to reduce greenhouse gas emissions while driving clean energy innovation. This factsheet compares carbon pricing proposals introduced in the 119th Congress (2025–26).

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HIGHLIGHTS

Multiple carbon pricing proposals introduced in the 119th Congress. These include five multi-sectoral policies and three sector-specific policies. These policies include carbon fees, cap-and-trade programs, performance standards, and a one-time tax assessment on historic emissions. While none has clear momentum yet, their breadth signals sustained congressional interest in market-based climate policy.

Proposals differ in core design elements. They differ on fundamental policy designs such as price levels, escalation rates, sector coverage, and treatment of imports.

Proposals allocate revenue to a range of uses. Across proposals, revenues from the carbon price are directed to a range of uses, e.g., household rebates, infrastructure, resilience, and transition assistance.

Introduction

In 2022, Congress established a fee on methane emissions, called the Waste Emissions Charge (WEC), through the Methane Emission Reduction Program as established by the Inflation Reduction Act. In March 2025, before any charges could be collected, Congress passed, and President Trump signed, a joint resolution of disapproval nullifying the 2024 WEC Final Rule, rendering it without legal force or effect. Although the rule was voided, the underlying statutory authority for the charge remained in place. In July 2025, the One Big Beautiful Bill Act (H.R. 1) delayed the effective date of the statutory charge until 2034.

Carbon pricing remains the most cost-effective policy aimed at reducing greenhouse gas emissions.[1] While 14 states have implemented carbon pricing policies and others are actively considering similar measures, no federal carbon pricing policy has yet been enacted, though Congress established a fee on methane emissions (see side box).[2] This factsheet summarizes and compares five multi-sectoral carbon pricing proposals introduced during the 119th Congress (2025–26). Of these proposals, two would establish an economy-wide carbon tax (or "carbon fee"); one would establish an economy-wide cap-and-trade program; one would establish a tradeable performance standard on electric, cogeneration, and thermal facilities; and one would levy a one-time tax assessment on the historic carbon dioxide emissions of large fossil fuel companies. They are:

- Polluters Pay Climate Fund Act of 2025 (S. 25 and H.R. 1135): reintroduced by Sens. Chris Van Hollen (D-Md.), Bernie Sanders (I-Vt.), Ed Markey (D-Mass.), Sheldon Whitehouse (D-R.I.), and Elizabeth Warren (D-N.Y.) on January 7, 2025, and Reps. Jerrold Nadler (D-N.Y.) and Judy Chu (D-Calif.) on February 7, 2025
- Tradeable Energy Performance Standards (TEPS) Act (H.R. 2177): reintroduced by Rep. Sean Casten (D-Ill.) on March 18, 2025
- Modernizing America with Rebuilding to Kickstart the Economy of the Twenty-first Century with a Historic Infrastructure Centered Expansion Act (H.R. 3338): reintroduced by Reps. Brian Fitzpatrick (R-Pa.) and Salud Carbajal (D-Calif.) on May 13, 2025
- America's Clean Future Fund Act (S. 2712): reintroduced by Sen. Dick Durbin (D-Ill.) on September 4, 2025
- Climate Pollution Standard and Community Investment Act of 2025 (H.R. 6918): reintroduced by Rep. Paul Tonko (D-N.Y.) on December 19, 2025.

While all of these proposals put a price on carbon, they diverge in several important dimensions of policy design. These include the emissions and product coverage, the initial price level and its rate of escalation over time, the stringency and timing of emissions reduction targets, the treatment of imports, the use of generated revenue, and the treatment of existing federal and state-level regulations. **Table 3** on page 12 provides a comparative overview of these key design features. A more detailed discussion of each multi-sectoral proposal follows in the section below, while sector-specific pricing mechanisms are summarized separately in a boxed overview on page 9.

Current Proposals

Polluters Pay Climate Fund Act of 2025

The Polluters Pay Climate Fund Act (S. 25 and H.R. 1135), reintroduced by Sens. Chris Van Hollen (D-Md.), Bernie Sanders (I-Vt.), Ed Markey (D-Mass.), Sheldon Whitehouse (D-R.I.), and Elizabeth Warren (D-N.Y.) in January 2025, and Reps. Jerrold Nadler (D-N.Y.) and Judy Chu (D-Calif.) in February 2025, would establish a one-time $1 trillion tax

assessment on fossil fuel companies based on their historic carbon dioxide emissions attributable to the fossil fuels they extracted or refined, as defined in the legislation. This tax applies to companies that extracted fossil fuels or refined crude oil between 2000 and 2023 and whose emissions exceeded one billion metric tons of carbon dioxide (as determined by the Treasury Secretary). Each covered entity would be required to pay a share of a $1 trillion liability, proportional to its share of total emissions among all covered entities.

The revenue would be directed into a new Polluters Pay Climate Fund, a dedicated trust fund to support an equitable federal response to climate impacts, including investments in climate resilience, adaptation, and disaster recovery. Forty percent of the funds must benefit environmental justice communities (i.e., communities of color, low-income communities, or tribal and indigenous communities at risk of facing disproportionate environmental or human-health impacts).

Unlike other proposed carbon pricing mechanisms, this proposal is not a continuing tax. It is a finite obligation: the cumulative $1 trillion must be paid to the federal government by 2034. The proposal does not determine fault, nor does it limit, preempt, or displace state or common-law claims related to climate damages. It also does not preempt or supersede state or local greenhouse gas standards, reporting requirements, or climate cost-recovery mechanisms.

Tradeable Energy Performance Standards Act

The TEPS Act (H.R. 2177), reintroduced by Rep. Sean Casten (D-Ill.) in March 2025, would amend the Clean Air Act to establish a tradeable emissions intensity standard for large-scale electricity and thermal energy facilities (see side box). Beginning in 2028, the U.S. Environmental Protection Agency (EPA) would freely distribute emissions allowance each year to covered facilities in an amount equal to each facilities' prior-year energy output multiplied by that year's output-based carbon dioxide emissions target. In this proposal, the output-based carbon dioxide emissions target acts as a declining emissions-intensity benchmark (e.g., carbon dioxide per MWh) rather than a total emissions cap. Covered facilities would then be required to submit one emission allowance for every metric ton of carbon dioxide they emit.

Electric and cogeneration facilities with a rated electric capacity of at least 2 MW, and thermal facilities with a rated fuel-based capacity of at least 50 million Btu.

The program establishes separate output-based carbon dioxide emissions baselines for electric and thermal facilities. For electric facilities, the baseline equals total metric tons of carbon dioxide emitted by all covered electric facilities in 2027 divided by total megawatt-hours produced. For thermal facilities, it equals total carbon dioxide emissions divided by total million Btus of useful thermal energy produced. These baselines also apply to the corresponding components of cogeneration facilities.

Beginning in 2028, the output-based carbon dioxide emissions target is set equal to the applicable 2027 baseline of covered facilities. The performance target is then updated annually based on emissions data from covered facilities and economy-wide U.S. emissions from the prior year but is required to decline by at least five percent every year. Allowances would be tradable, allowing facilities to sell excess or buy needed allowances in a secondary market. Facilities that do not submit

sufficient allowances could instead make Alternative Compliance Payments (ACPs), beginning at $50 per ton in 2028 and increasing annually by two dollars through 2038. From 2039 to 2048, ACPs scale linearly to the social cost of carbon.[3] The proposal also encourages compliance flexibility through the creation of bilateral purchase agreements, enabling high-emitting existing facilities to purchase allowances from newly constructed low-emission facilities for at least 10 years. Any covered entity that fails to submit an emissions allowance would be subject to a penalty equal to three times the highest value of an emission allowance for each allowance the entity fails to submit.

All revenues from ACPs and penalties would be deposited into a Carbon Mitigation Fund to provide grants to projects that reduce or sequester greenhouse gas emissions, including through upgrades to energy efficiency, electrification, transportation electrification and decarbonization, and grid modernization.

Modernizing American with Rebuilding to Kickstart the Economy of the Twenty-first Century with a Historic Infrastructure-Centered Expansion Act (MARKET CHOICE Act)

The MARKET CHOICE Act (H.R. 3338), reintroduced by Reps. Brian Fitzpatrick (R-Pa.) and Salud Carbajal (D-Calif.) in May 2025, proposes the establishment of a carbon tax and the repeal of federal fuel excise taxes.[4] The carbon tax would apply to the greenhouse gas emissions resulting from fossil fuel combustion and certain industrial products and processes. The entities subject to the tax would include producers and importers of fossil fuels and industrial facilities within any of 20 source categories (e.g., iron and steel production, refineries, and ammonia production) that emit over 25,000 metric tons of carbon dioxide equivalent per year. It would also apply to producers and importers of one of seven specified greenhouse gas-emitting manufactured products (e.g., fuel ethanol and industrial carbonates).

Starting in 2027, the bill would impose a tax of $40 per metric ton of carbon dioxide equivalent, increasing annually by five percent plus inflation, with an additional $4 biennially if cumulative emissions of the covered sources exceed specified reduction benchmarks through 2038 (see **Table 1**). Refunds would be provided for fossil fuel combustion emissions that are captured and sequestered. Refunds would also be available when fossil fuels are used as feedstocks rather than combusted, so that the fuel's associated emissions are reduced or eliminated. Any covered entity that fails to pay the carbon tax for a given year would be subject to a penalty three times the applicable amount for that year.

The proposal would also establish a border tax adjustment, designed to prevent carbon leakage and maintain the competitiveness of U.S. manufacturers.[5] Imports of covered goods would be subject to a fee aligned with the domestic carbon tax, while U.S. exports of the same goods would be eligible for a rebate. Covered goods include two categories. The first is products from eligible industrial sectors, including manufacturing sectors and sectors or parts of sectors

TABLE 1: CUMULATIVE EMISSION REDUCTION SCHEDULE

Year	Cumulative Emissions (CO_2e)
2027	4,700
2028	9,400
2029	14,000
2030	18,300
2031	22,600
2032	26,800
2033	31,000
2034	35,100
2035	39,100
2036	43,100
2037	47,100

that process metal ores, that meet both a greenhouse gas-intensity threshold of at least five percent and a trade-intensity threshold of at least 15 percent (see side box). The second is manufactured items for consumption designated by the Treasury Secretary. Exemptions from the border tax adjustment would be granted for least-developed and low-emitting countries.

Greenhouse gas intensity is calculated by dividing the carbon-tax-adjusted value of a sector's greenhouse gas emissions (i.e., total metric tons of emissions multiplied by the applicable carbon tax rate) by the value of the sector's shipments. Trade intensity is calculated by dividing the value of the sector's total imports and exports by the value of the sector's shipments plus the value of imports.

Revenues generated from the carbon tax and border tax adjustment would fund a newly established Rebuilding Infrastructure and Solutions for the Environment (RISE) Trust Fund. Seventy-five percent of annual revenues would be deposited into the RISE Trust Fund to support a range of projects, with a primary focus on infrastructure (e.g., funding the Highway Trust Fund), as well as initiatives that enhance climate resilience and natural climate solutions, assist low-income households, aid displaced energy workers, and promote energy research, development, and deployment.

The proposal would also institute a temporary moratorium on EPA greenhouse gas regulations for emissions sources covered by the carbon tax. From the date of implementation through 2038, EPA would be prohibited from further regulating the taxed fuels or emissions on the basis of their greenhouse gas effects. This moratorium would be lifted if emissions exceed the statutory targets set for 2030 or 2034. However, EPA would retain its authority to regulate emissions from vehicles, aircraft, non-road engines, and crude oil and natural gas facilities. It would also remain empowered to issue regulations addressing emissions based on their health risks separate from their greenhouse gas effects.

Starting in 2027, a covered entity would receive a credit for payments on emissions made under state programs. The amount of the credit would start at 100 percent of the amount paid under the state program and decline by 20 percent annually. No credits would be provided beyond the fifth year.

America's Clean Future Fund Act

The America's Clean Future Fund Act (S. 2712) reintroduced by Sen. Dick Durbin (D-Ill.) in September 2025, would establish a carbon fee on fossil fuels and industrial products. In 2027 the fee would apply to covered fuel emissions, in other words, emissions associated with the use, sale, or transfer of fossil fuels. The entities subject to the fee would be producers and importers of fossil fuels. Beginning in 2029, the fee would expand to include noncovered fuel emissions, defined as emissions resulting from the production, processing, transport, or use of any product or material within the energy or industrial sectors, such as fugitive or process emissions beyond direct fuel combustion or use. Entities emitting more than 25,000 metric tons of carbon dioxide or methane in the preceding year from these sources would be responsible for the fee. Notably, the policy's benefits would begin in 2026, prior to the fee's implementation.

Beginning in 2027, the proposal would impose a fee of $75 per metric ton of carbon dioxide equivalent. Each year, the fee would increase by $10 per metric ton, adjusted for cost-of-living. Starting in 2029, the fee would also apply to noncovered fuel emissions.

TABLE 2: EMISSIONS REDUCTION TARGETS

Year	Applicable % of 2018 levels
2027	63%
2028	60%
2029	57%
2030	55%
2031	52%
2032	49%
2033	46%
2034	43%
2035	40%
2036–50	Reduction of 2% annually
After 2050	10%

The proposal would establish cumulative emissions targets that limit total emissions from covered sources relative to a 2018 baseline (see **Table 2**). If cumulative emissions in a given year exceed the applicable target, the annual fee increase accelerates in the following year—rising to $15 per ton per year from 2029 to 2030, $20 per ton per year from 2031 to 2040, and $25 per ton per year thereafter. Once average emissions over a three-year period fall to 10 percent or less of 2018 levels and cumulative emissions targets are met, the annual fee increase is reduced to $0.

Refunds would be provided for carbon capture, sequestration, and utilization projects excluding enhanced oil or natural gas recovery.

The proposal would also establish a carbon border fee adjustment. Imports of covered goods would be subject to an "equivalency fee" aligned with the domestic carbon fee, while U.S. exports of the same goods would be eligible for a rebate. Covered goods include two categories: covered fuels and carbon-intensive products. Covered fuels include crude oil, natural gas, coal, or any other product derived from these fuels which are used to emit greenhouse gases to the atmosphere. Carbon-intensive products include products from the following industries: iron, steel, steel mill products (including pipe and tube), aluminum, cement, glass (including flat, container, and specialty glass and fiberglass), pulp, paper, chemicals, or industrial ceramics. Additionally, any manufactured product determined by the Treasury Secretary to be energy-intensive and trade-exposed would be covered.

The equivalency fee would be reduced by the amount of any comparable fees imposed on the product in the country of origin. Foreign policies that have substantially the same effect in reducing greenhouse gas emissions—but do not explicitly put a price on emissions—would be treated as fees for the purpose of calculating the fee reduction.

For 2026 and 2027, before the carbon fee generates revenue, the proposal would appropriate funds to support household rebates, assist with the economic transition, and provide initial capitalization for a new independent agency called the Climate Change Finance Corporation (C2FC) to finance projects that advance clean energy and climate resilience.

The proposal would also create the America's Clean Future Fund, a Treasury trust fund to collect and distribute revenues. The fund would receive income from the carbon fee and the carbon border fee adjustment, less refunds and a value of approximately $7 billion annually for 14 years.

Beginning in 2028, revenues from the Fund would be distributed among three key purposes. The largest share, 75 percent, would be dedicated to direct payments as rebates to low- and middle-income households. Of this share, seven percent would be reserved for agricultural decarbonization efforts for the first decade. Starting in year 11, the household rebate share would increase by one percentage point per year, reaching 80 percent by year 15.

Second, 15 percent of revenues would support the C2FC's investments. This share would rise by one percentage point annually after year 10, reaching 20 percent of revenues by year 15.

The remaining 10 percent of revenues during the first decade would provide transition assistance to communities most affected by the shift away from carbon-intensive industries or by climate-related impacts. This allocation would decline by two percentage points per year after year 10, phasing out entirely after year 14.

Climate Pollution Standard and Community Investment Act

The Climate Pollution Standard and Community Investment Act (H.R. 6918) reintroduced by Rep. Paul Tonko (D-N.Y.) in December 2025, would amend the Clean Air Act to establish an economy-wide cap-and-trade program. The program would cover a broad set of covered entities including large electricity generators; fossil fuel producers and importers; natural gas local distribution companies; geologic sequestration sites; industrial sources across sectors such as aluminum production, cement production, petroleum refining; and other energy-intensive industries emitting at least 25,000 metric tons of carbon dioxide equivalent annually. Covered emissions include both emitted emissions and "attributable" emissions. Emissions that are attributable include (1) the downstream combustion emissions associated with covered fuels; (2) emissions associated with covered industrial and fluorinated gases (including certain fugitive emissions from fluorinated-gas production); and (3) downstream combustion emissions tied to natural gas delivered by covered local distribution companies to customers who are not otherwise covered entities. Greenhouse gases captured and geologically sequestered would be excluded. Under the program, covered entities would be required to submit one allowance per metric ton of carbon dioxide equivalent emitted, except for stationary sources located in designated Cleaner Air Communities (see side box), which must surrender two allowances per metric ton of emissions.

Cleaner Air Communities are any community that experience an annual increase in emissions of any greenhouse gas, hazardous air pollutant, or criteria air pollutant, compared with the average annual emissions of that pollutant during the previous compliance period.

The emissions targets (i.e., the emissions cap) would require aggregate covered emissions to be at least five percent below the average of 2023–25 levels by 2027; no more than 50 percent of 2005 levels by 2030; no more than 30 percent of 2005 levels by 2040; and no more than 10 percent of 2005 levels by 2050. Beginning in 2028, aggregate emissions must decline annually by at least two percent of 2005 emissions until the 10-percent threshold is reached. The program is designed to reach net-zero emissions by 2050 and pursue net-negative emissions thereafter.

Starting in 2027, EPA would set an annual allowance budget consistent with statutory emissions targets. These allowances would be distributed in three ways: (1) EPA would auction 55 percent of allowances in a quarterly auction; states and tribes would auction 30 percent of allowances on consignment; and the remaining 15 percent would be freely allocated by the EPA. The auction floor—for the EPA-hosted auction—would be set at $15 per metric ton of carbon dioxide equivalent in 2027 and increase annually by five percent plus inflation. The program would include cost and emissions containment reserves that adjust allowance supply when prices rise to high or fall too low, preserving the affordability of the program and the integrity of the overall emissions cap. Covered entities would hold and surrender allowances to cover 100 percent of their emissions over each three-

year compliance period, with partial surrender due in years two and three and full reconciliation the year after the period ends. They would also be able to bank allowances across compliance periods, but these allowances would be capped at 100 percent of the entity's emissions in the prior compliance period.

The allowance allocation to states and tribes would begin at 30 percent of total allowances in the first compliance period and phase down gradually to zero after the tenth compliance period. Allocation to individual states or tribes would be based on each jurisdiction's share of nationwide combustion-related emissions. These allowances must be sold on consignment, with proceeds used for consumer benefit through energy efficiency programs, rebates to encourage adoption of low-emission fuels and electrification, direct consumer rebates including low-income assistance, or transfers to covered entities for consumer benefit.

Free, output-based allowance allocations would also be provided to eligible energy-intensive, trade-exposed industries—defined at the six-digit North American Industry Classification System (NAICS) level—based on energy intensity, greenhouse gas intensity, and trade exposure thresholds. These allocations would begin at 15 percent of total allowances in the first two compliance periods and phase down to zero after the tenth compliance period. Allocations would be calculated using sector-specific emissions-intensity benchmarks multiplied by an entity's recent average output and a declining assistance factor.

Allowances could be traded on a secondary market. Covered entities that fail to surrender sufficient allowances—based on their emissions—are subject to a penalty equal to three times the most recent auction clearing price for each excess ton.

Beginning in 2028, the program would also establish a border carbon adjustment, called an International Reserve Allocation Program, for certain imported goods produced in the same eligible energy-intensive, trade-exposed industrial sectors that receive free, output-based allowance allocations under the program (excluding the petroleum refining sector). Importers would be required to submit international reserve allowances, priced at the average of the prior four auction clearing prices. EPA would establish a methodology for determining the quantity of international reserve allowances that an importer must submit. Importers would be exempt if: (1) the imported good meets the same sector-specific, emissions-intensity benchmark used to determine free allocations; (2) originates from a least-developed country; or (3) originates from a country that is responsible for less than 0.5 percent of global greenhouse gas emissions and less than five percent of U.S. imports of covered goods in that sector. Covered imports must include independent third-party verification of emissions data, and EPA would apply default values when verified data are unavailable (see side box).

Default values would be calculated based on the best available emissions and production data from all facilities which produce similar goods in the country of origin, the greenhouse gas intensity of the general economy of the country of origin, and other relevant factors.

Proceeds from the federal auction of allowances and the border carbon adjustment would be directed to a range of public investments, including agricultural and forest-based emissions reduction or sequestration projects; rebates for low-income households; worker and community transition assistance; funding for Cleaner Air Communities; and clean energy innovation. Proceeds from the federal auction would also go to energy efficiency and clean energy programs at the state and federal levels.

Sector-specific carbon pricing proposals

So far three sector-specific carbon pricing proposals have been introduced in the 119th Congress. While an economy-wide carbon price provides the most efficient way to reduce emissions, in its absence, these sector-specific proposals apply similar market-based approaches to reduce sectoral emission.

In January 2025, Sen. Edward Markey (D-Mass.) reintroduced the Fueling Alternative Transportation with a **Carbon Aviation Tax Act of 2025** (FAT CAT Act, S. 173). This proposal would increase the excise fuel tax for private jets from $0.22 to $2.00 per gallon, adjusted annually for inflation. This is equivalent to a $200 per metric ton of carbon dioxide emissions. Revenues from the proposal would support air monitoring and expand and improve public transportation, with at least half directed to disadvantaged communities.

In April 2025, Sens. Sheldon Whitehouse (D-R.I.) and John Fetterman (D-Pa.) introduced the **Clean Cloud Act of 2025** (S. 1475). This proposal would reduce the emissions intensity of data centers and cryptomining facilities by establishing a sectoral emissions performance standard. Starting in 2026, the bill would impose emissions-based fees on both covered facilities and the electric utilities that serve them. Facilities would be charged a fee on their consumption of behind-the-meter electricity when its greenhouse gas emissions intensity exceeds that of the regional grid. Utilities would face the same fee on the grid electricity used by covered facilities if its emissions intensity exceeds the regional baseline. The fee would be calculated as the product of electricity consumed, the amount by which its emissions intensity exceeds the baseline, and a rate of $20. Beginning in 2027, the $20 rate would increase annually by the rate of inflation plus an additional $10. The regional emissions baseline would tighten by 11 percent each year through 2034 and drops to zero in 2035. Revenue from the fees would be used to administer the program (three percent), lower residential electricity costs (25 percent), and support year-round zero-carbon electricity generation or long-duration energy storage (70 percent).

In July 2025, Sens. Sheldon Whitehouse (D-R.I.) and Alex Padilla (D-Calif.), and Reps. Doris Matsui (D-Calif.) and Kevin Mullin (D-Calif.), introduced the **International Maritime Pollution Accountability Act of 2025** (S. 2243 and H.R. 4341). This proposal would establish a fee on the lifecycle carbon dioxide emission from large cargo vessels and on the fuel burned on the inbound trip to the United States. Fees—$150 per metric ton of carbon dioxide, $6.30 per pound of nitrogen oxides, $18 per pound of sulfur dioxide, and $38.90 per pound for fine particulate matter (PM2.5)—would start in 2027 and increase five percent above inflation annually. The revenue from the fees would go toward modernizing the Jones Act fleet with low-carbon vessels, decarbonizing ports, and reducing pollution in port communities.

TABLE 3: POLICY DESIGN FEATURES OF MULTI-SECTORAL CARBON PRICING PROPOSALS

Policy Features	Polluters Pay Climate Fund Act of 2025	Tradeable Energy Performance Standards Act	MARKET CHOICE Act	America's Clean Future Fund Act	Climate Pollution Standard and Community Investment Act
Start Date	Date of enactment	Jan. 1, 2028	Jan. 1, 2027	Program benefits would start in 2026 Carbon fee would start on Jan. 1, 2027	Jan. 1, 2027
Carbon Pricing Mechanism	One-time tax based on historic emissions	Tradeable emissions performance standard	Carbon tax	Carbon tax	Cap and trade
Regulating Authority	Treasury Department in consultation with EPA	EPA	Treasury in consultation with EPA	Treasury Department in consultation with EPA	EPA
Emissions Covered	CO_2 emissions from extracting fossil fuels or of refining crude oil.	CO_2 emitted directly into the atmosphere from covered facilities.	CO_2 equivalent emissions that would be released from fossil fuel combustion and certain industrial products and processes.	CO_2 equivalent emissions from covered fuels (crude oil, natural gas, coal), and CO_2 or methane emissions from the energy or industrial sectors (excluding emissions from combustion or use of covered fuel).	Emitted CO_2 equivalent emissions from covered sources and defined "attributable" emissions. GHGs that are captured and geologically sequestered would be excluded.
Covered Entities	U.S. persons or businesses engaged in the extraction of fossil fuels or the refining of crude oil responsible for over one billion metric tons of CO_2 emissions between 2000 and 2023.	Electric and cogeneration facilities with a rated electric capacity of at least 2 MW, and thermal facilities with a rated fuel-based capacity of at least 50 million BTUs.	Producers and importers of fossil fuels, industrial facilities in listed source categories emitting >25,000 metric tons of CO_2 equivalent per year, producers and importers of specified GHG-emitting manufactured products.	Producers and importers of coal and natural gas. Refinery operators and importers of crude oil. Entities emitting noncovered fuel emissions exceeding 25,000 metric tons of CO_2 and methane in the preceding year.	Large electricity generators; fossil fuel producers and importers; natural gas local distribution companies; geologic sequestration sites; and industrial sources across sectors.
Emission Targets and Timetables	N/A	Annual emissions intensity reduction of at least 5 percent of the 2027 baseline, with potential for deeper cuts based on sector performance and national emissions trends, through 2048.	Cumulative emissions reduction schedule, which gradually declines annual emissions growth through 2037.	Emissions reduction schedule which aims to reduce net emissions to 10% of 2018 levels by 2050.	Annual emissions cap reduction that reaches no more than 10% of 2005 levels by 2050.
Price and Escalation Rate	Each entity would pay a share of a one-time $1 trillion assessment, based on their product-related emissions as a percentage of total emissions from all covered entities.	$50 per metric ton of CO_2 in 2028, increasing by $2 per year until 2038 ($70/ton), then linearly increasing to the Social Cost of Carbon by 2048.	$40 per metric ton of CO_2e in 2027, increasing annually at 5% above inflation with an additional $4 per metric ton biennially if cumulative emissions are greater than the cumulative emissions reduction schedule.	$75 per metric ton of CO_2e in 2027 for covered fuel emissions, increasing by $10 per year and adjusted for cost-of-living. If the cumulative emission target is not met for the preceding year, then the annual fee increase could accelerate: • $15 for years 2029–30 • $20 for years 2031–40 • $25 after 2040. In 2029, a fee would be placed on noncovered fuel emissions equal to the fee rate for a given year. The carbon fee escalation rate would be phased out once emissions from covered sources are 90% below 2018 levels for three consecutive years.	$15 per metric ton of CO_2 equivalent in 2027, increasingly annually by 5% plus inflation. Cost and emissions containment reserves provide price ceilings and floors to preserve affordability and environmental integrity.

TABLE 3: POLICY DESIGN FEATURES OF MULTI-SECTORAL CARBON PRICING PROPOSALS (CONTINUED)

Policy Features	Polluters Pay Climate Fund Act of 2025	Tradeable Energy Performance Standards Act	MARKET CHOICE Act	America's Clean Future Fund Act	Climate Pollution Standard and Community Investment Act
Credit or Refund	N/A	N/A	Refunds would be available for fossil fuel emissions that are captured and sequestered and fossil fuels used as feedstock so that the emissions are reduced or eliminated.	Refunds would be available for the capture, sequestration, and use (excluding use for enhanced oil or natural gas recovery) of CO_2 and for direct air capture. Entities violating air or water quality regulations or harming environmental justice communities would not be eligible for the refund.	N/A
Border Adjustment	N/A	N/A	A border tax adjustment equivalent to the domestic carbon tax would be placed on imported would be placed on imported covered goods and a rebate of the tax would be provided for exported covered goods. Covered goods are those from eligible industrial sectors that have a GHG intensity of at least 5% and a trade intensity of at least 15% or manufactured items for consumption designated by the Treasury Secretary.	A carbon border fee adjustment equivalent to the domestic carbon fee would be placed on imported covered fuels and carbon-intensive products. The fee could be reduced if the product was subject to a fee, or policies that have the same effect of reducing emissions as a carbon fee, in the country from which it was imported. A refund would be paid to exporters of covered fuels and carbon-intensive products.	A border carbon adjustment would be placed on imported goods produced in eligible energy-intensive, trade-exposed industrial sectors. The border fee would be priced at the average of the prior four auction clearing prices. Exemptions are provided for goods that meet the sector-specific emissions-intensity benchmarks, originate from a least-developed or developing country, or come from a country that is responsible for less than 0.5% of global GHG emissions and less than 5% of U.S. imports of covered goods in that sector.
Use of Revenue	The revenue would fund the Polluters Pay Climate Fund to invest in climate resilience, adaptation, and disaster response, with 40% of the funds benefiting environmental justice communities.	Alternative compliance payments and penalties would fund the Carbon Mitigation Fund for grants to reduce emissions, including electrification, efficiency, and grid modernization projects.	Three-quarters of the revenue would fund the Rebuilding Infrastructure and Solutions for the Environment (RISE) Trust Fund primarily for infrastructure projects, with additional support for climate resilience, low-income household assistance, support for displaced energy workers, R&D, and more.	The revenue, minus about $7 billion annually for 14 years, would fund the America's Clean Future Fund. Most of this revenue would be used to provide a rebate to low- and middle-income households. The remaining funds would be used for agricultural decarbonization, funding the Climate Change Finance Corporation, which finances clean energy and resiliency projects, and providing transition assistance to communities.	Proceeds would be directed to a range of public investments, including agricultural and forest-based emissions reduction or sequestration projects; consumer rebates; energy efficiency and clean energy programs at the state and federal level; worker and community transition assistance; funding for impacted communities; and clean energy innovation.

TABLE 3: POLICY DESIGN FEATURES OF MULTI-SECTORAL CARBON PRICING PROPOSALS (CONTINUED)

Policy Features	Polluters Pay Climate Fund Act of 2025	Tradeable Energy Performance Standards Act	MARKET CHOICE Act	America's Clean Future Fund Act	Climate Pollution Standard and Community Investment Act
Treatment of Existing Federal and State Regulations	Would not relieve covered entities from liability under state and federal laws.	Not specified.	Would establish a temporary moratorium for most stationary source GHG regulations under the Clean Air Act upon enactment that would expire on January 1, 2039. The moratorium would be lifted if emissions exceed the specified emissions levels for 2030 or 2034. Starting in 2027, a covered entity would receive a credit for payments on GHG emissions made under state programs. The amount of the credit would start at 100% of the amount paid under the state program and then decline 20% annually. No credits would be provided beyond the fifth year.	Not specified.	Not specified.

Endnotes

1 Janet Peace and Jason Ye, *Market Mechanisms: Options for Climate Policy* (Center for Climate and Energy Solutions, 2020), https://www.c2es.org/document/market-mechanisms-options-for-climate-policy.

2 For a description of state carbon pricing programs, see World Bank, *State and Trends of Carbon Pricing 2025* (The World Bank, 2025), http://hdl.handle.net/10986/43277.

3 As determined in accordance with the methodology outlined in Environmental Protection Agency, *Report on the Social Cost of Greenhouse Gases: Estimates Incorporating Recent Scientific Advances*, EPA-HQ-OAR-2021-0317 (Environmental Protection Agency, 2023), https://www.epa.gov/system/files/documents/2023-12/epa_scghg_2023_report_final.pdf.

4 Federal motor vehicle and aviation fuel taxes on gasoline, diesel fuel, and kerosene as outlined in Subpart A of part III of subchapter A of chapter 32 of the Internal Revenue Code of 1986.

5 Brock Burton, Olivia Windorf, and Jason Ye, *Developments in Border Carbon Adjustments in the 119th Congress and Abroad* (Center for Climate and Energy Solutions, 2026), https://www.c2es.org/wp-content/uploads/2026/01/developments-in-border-carbon-adjustments-in-the-119th-congress-and-abroad.pdf