



Addressing Transportation and Refined Products

We have taken a fundamentally different approach to comprehensive energy and climate legislation. We have carefully crafted legislation that addresses the concerns of American businesses.

In considering the most appropriate way to reduce pollution from fuels like propane or diesel or gasoline, we worked with refiners and fuel providers to design a system that made sense for them. Under previous plans, refiners had to bid or trade for allowances in the market. This would have forced them to add hedge funds to their operations to handle this trading, all at the expense of investing in their core business of being efficient refiners.

Since a robust domestic refining industry is critical to our national security, we needed to make a change. We took fuel providers out of the market. Instead of every refinery participating in the market for allowances, we made sure the price of carbon was constant across the industry. That means all fuel providers see the same price of carbon in a given quarter.

The system is simple. First, the EPA and EIA Administrators look to historic product sales to estimate how many allowances will be necessary to cover emissions for the quarter, and they set that number of allowances aside at the market price. Then refineries and fuel providers sell fuel, competing as they have always done to offer the best product at the best price. Finally, at the end of the quarter, the refiners and fuel providers purchase the allowances that have been set aside for them. If there are too many or too few allowances set aside, that difference is made up by adjusting the projection for the following quarter. These allowances cannot be banked or traded, and can only be used for compliance purposes.

We also ensure that we're investing in our transportation infrastructure with revenue raised from a price on greenhouse gas emissions. More than \$6 billion dollars annually will be spent upgrading our transportation infrastructure and improving the efficiency of our transportation system at the metropolitan, state, and interstate level.

We also look ahead beyond today's existing infrastructure needs. We invest in the domestic manufacturing of advanced vehicles as well as in the infrastructure necessary to support them, including regional and local pilot projects. At the core, the more we decrease our reliance on carbon-based fuels, the more we decrease our dependence on foreign oil.

