

.....  
(Original Signature of Member)

108TH CONGRESS  
1ST SESSION

# H. R. \_\_\_\_\_

---

## IN THE HOUSE OF REPRESENTATIVES

Mr. BARTON of Texas (for himself and Mr. TAUZIN)(both by request) introduced the following bill; which was referred to the Committee on

---

---

# A BILL

To amend the Clean Air Act to reduce air pollution through expansion of cap and trade programs, to provide an alternative regulatory classification for units subject to the cap and trade program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Clear Skies Act of 2003”.



1 (b) TABLE OF CONTENTS.—The table of contents of  
 2 this Act is as follows:

- Sec. 1. Short title, table of contents.  
 Sec. 2. Emission Reduction Programs.

“TITLE IV—EMISSION REDUCTION PROGRAMS

“PART A—GENERAL PROVISIONS

- “Sec. 401. (Reserved)  
 “Sec. 402. Definitions.  
 “Sec. 403. Allowance system.  
 “Sec. 404. Permits and compliance plans.  
 “Sec. 405. Monitoring, reporting, and recordkeeping requirements.  
 “Sec. 406. Excess emissions penalty; general compliance with other provisions; enforcement.  
 “Sec. 407. Election of additional units.  
 “Sec. 408. Clean coal technology regulatory incentives.  
 “Sec. 409. Auctions.  
 “Sec. 410. Evaluation of limitations on total sulfur dioxide, nitrogen oxides, and mercury emissions that start in 2018.

“PART B—SULFUR DIOXIDE EMISSION REDUCTIONS

“Subpart 1—Acid Rain Program

- “Sec. 410. Evaluation of limitations on total sulfur dioxide, nitrogen oxides, and mercury emissions that start in 2018.  
 “Sec. 411. Definitions.  
 “Sec. 412. Allowance allocations.  
 “Sec. 413. Phase I sulfur dioxide requirements.  
 “Sec. 414. Phase II sulfur dioxide requirements.  
 “Sec. 415. Allowances for States with emission rates at or below .8 lbs/mmBtu.  
 “Sec. 416. Election for additional sources.  
 “Sec. 417. Auctions, Reserve.  
 “Sec. 418. Industrial sulfur dioxide emissions.  
 “Sec. 419. Termination.

“Subpart 2—Clear Skies Sulfur Dioxide Allowance Program

- “Sec. 421. Definitions.  
 “Sec. 422. Applicability.  
 “Sec. 423. Limitations on total emissions.  
 “Sec. 424. Allocations.  
 “Sec. 425. Disposition of sulfur dioxide allowances allocated under subpart 1.  
 “Sec. 426. Incentives for sulfur dioxide emission control technology.

“Subpart 3—Western Regional Air Partnership

- “Sec. 431. Definitions.  
 “Sec. 432. Applicability.  
 “Sec. 433. Limitations on total emissions.  
 “Sec. 434. Allocations.



“PART C—NITROGEN OXIDES EMISSIONS REDUCTIONS

“Subpart 1—Acid Rain Program

- “Sec. 441. Nitrogen Oxides Emission Reduction Program.
- “Sec. 442. Termination.

“Subpart 2—Clear Skies Nitrogen Oxides Allowance Program

- “Sec. 451. Definitions.
- “Sec. 452. Applicability.
- “Sec. 453. Limitations on total emissions.
- “Sec. 454. Allocations.

“Subpart 3—Ozone Season NO<sub>x</sub> Budget Program

- “Sec. 461. Definitions.
- “Sec. 462. General Provisions.
- “Sec. 463. Applicable Implementation Plan.
- “Sec. 464. Termination of Federal Administration of NO<sub>x</sub> Trading Program.
- “Sec. 465. Carryforward of Pre-2008 Nitrogen Oxides Allowances.

“PART D—MERCURY EMISSION REDUCTIONS

- “Sec. 471. Definitions.
- “Sec. 472. Applicability.
- “Sec. 473. Limitations on total emissions.
- “Sec. 474. Allocations.

“PART E—NATIONAL EMISSION STANDARDS; RESEARCH; ENVIRONMENTAL ACCOUNTABILITY; MAJOR SOURCE PRECONSTRUCTION REVIEW AND BEST AVAILABLE RETROFIT CONTROL TECHNOLOGY REQUIREMENTS

- “Sec. 481. National emission standards for affected units.
  - “Sec. 482. Research, environmental monitoring, and assessment.
  - “Sec. 483. Exemption from major source preconstruction review and best availability retrofit control technology requirements.”
- Sec. 3. Other amendments.

**1 SEC. 2. EMISSION REDUCTION PROGRAMS.**

2 Title IV of the Clean Air Act (relating to acid deposi-

3 tion control) (42 U.S.C. 7651, et seq.) is amended to read

4 as follows:



1                   **“TITLE IV—EMISSION**  
2                   **REDUCTION PROGRAMS**

3                   **“PART A—GENERAL PROVISIONS**

4   **“SEC. 401. (Reserved)**

5   **“SEC. 402. DEFINITIONS.**

6            “As used in this title—

7                    “(1) The term ‘affected EGU’ shall have the  
8                    meaning set forth in section 421, 431, 451, or 471,  
9                    as appropriate.

10                   “(2) The term ‘affected facility’ or ‘affected  
11                    source’ means a facility or source that includes one  
12                    or more affected units.

13                   “(3) The term ‘affected unit’ means—

14                           “(A) under this part, a unit that is subject  
15                           to emission reduction requirements or limita-  
16                           tions under part B, C, or D or, it applicable,  
17                           under a specified part or subpart; or

18                           “(B) under subpart 1 of part B or subpart  
19                           1 of part C, a unit that is subject to emission  
20                           reduction requirements or limitations under  
21                           that subpart.

22                   “(4) The term ‘allowance’ means—

23                           “(A) an authorization, by the Adminis-  
24                           trator under this title, to emit one ton of sulfur



1           dioxide, one ton of nitrogen oxides, or one  
2           ounce of mercury; or

3           “(B) under subpart 1 of part B, an au-  
4           thorization by the Administrator under this  
5           title, to emit one ton of sulfur dioxide.

6           “(5)(A) The term ‘baseline heat input’ means,  
7           except under subpart 1 of part B and section 407,  
8           the average annual heat input used by a unit during  
9           the 3 years in which the unit had the highest heat  
10          input for the period 1998 through 2002.

11          “(B) Notwithstanding subparagraph (A), if a  
12          unit commenced or commences operation during the  
13          period 2001 through 2004, then ‘baseline heat input’  
14          means the manufacturer’s design heat input capacity  
15          for the unit multiplied by 80 percent for coal-fired  
16          units, 50 percent for boilers that are not coal-fired,  
17          50 percent for combustion turbines other than sim-  
18          ple cycle turbines, and 5 percent for simple cycle  
19          combustion turbines.

20          “(C) A unit’s heat input for a year shall be the  
21          heat input—

22                  “(i) required to be reported under section  
23                  405 for the unit, if the unit was required to re-  
24                  port heat input during the year under that sec-  
25                  tion;



1           “(ii) reported to the Energy Information  
2           Administration for the unit, if the unit was not  
3           required to report heat input under section 405;

4           “(iii) based on data for the unit reported  
5           to the State where the unit is located as re-  
6           quired by State law, if the unit was not re-  
7           quired to report heat input during the year  
8           under section 405 and did not report to the En-  
9           ergy Information Administration; or

10          “(iv) based on fuel use and fuel heat con-  
11          tent data for the unit from fuel purchase or use  
12          records, if the unit was not required to report  
13          heat input during the year under section 405  
14          and did not report to the Energy Information  
15          Administration and the State.

16          “(D) Not later than 3 months after the enact-  
17          ment of the Clear Skies Act of 2003, the Adminis-  
18          trator shall promulgate regulations, without notice  
19          and opportunity for comment, specifying the format  
20          in which the information under subparagraphs  
21          (B)(ii) and (C)(ii), (iii), or (iv) shall be submitted.  
22          Not later than 9 months after the enactment of the  
23          Clear Skies Act of 2003, the owner or operator of  
24          any unit under subparagraph (B)(ii) or (C)(ii), (iii),  
25          or (iv) to which allowances may be allocated under



1 section 424, 434, 454, or 474 shall submit to the  
2 Administrator such information. The Administrator  
3 is not required to allocate allowances under such sec-  
4 tions to a unit for which the owner or operator fails  
5 to submit information in accordance with the regula-  
6 tions promulgated under this subparagraph.

7 “(6) The term ‘clearing price’ means the price  
8 at which allowances are sold at an auction conducted  
9 by the Administrator or, if allowances are sold at an  
10 auction conducted by the Administrator at more  
11 than one price, the lowest price at which allowances  
12 are sold at the auction.

13 “(7) The term ‘coal’ means any solid fuel classi-  
14 fied as anthracite, bituminous, subbituminous, or  
15 lignite.

16 “(8) The term ‘coal-derived fuel’ means any  
17 fuel (whether in a solid, liquid, or gaseous state)  
18 produced by the mechanical, thermal, or chemical  
19 processing of coal.

20 “(9) The term ‘coal-fired’ with regard to a unit  
21 means, except under subpart 1 of part B, subpart 1  
22 of part C, and sections 424 and 434, combusting  
23 coal or any coal-derived fuel alone or in combination  
24 with any amount of any other fuel in any year.



1           “(10) The term ‘cogeneration unit’ means, ex-  
2           cept under subpart 1 of part B and subpart 1 of  
3           part C, a unit that produces through the sequential  
4           use of energy:

5                   “(A) electricity; and

6                   “(B) useful thermal energy (such as heat  
7                   or steam) for industrial, commercial, heating, or  
8                   cooling purposes.

9           “(11) The term ‘combustion turbine’ means any  
10           combustion turbine that is not self-propelled. The  
11           term includes, but is not limited to, a simple cycle  
12           combustion turbine, a combined cycle combustion  
13           turbine and any duct burner or heat recovery device  
14           used to extract heat from the combustion turbine ex-  
15           haust, and a regenerative combustion turbine. The  
16           term does not include a combined turbine in an inte-  
17           grated gasification combined cycle plant.

18           “(12) The term ‘commence operation’ with re-  
19           gard to a unit means start up the unit’s combustion  
20           chamber.

21           “(13) The term ‘compliance plan’ means  
22           either—

23                   “(A) a statement that the facility will com-  
24                   ply with all applicable requirements under this  
25                   title, or





1           “(B) under subpart 1 of part B or subpart  
2           1 of part C, where applicable, a schedule and  
3           description of the method or methods for com-  
4           pliance and certification by the owner or oper-  
5           ator that the facility is in compliance with the  
6           requirements of that subpart.

7           “(14) The term ‘continuous emission moni-  
8           toring system’ (CEMS) means the equipment as re-  
9           quired by section 405, used to sample, analyze,  
10          measure, and provide on a continuous basis a per-  
11          manent record of emissions and flow (expressed in  
12          pounds per million British thermal units (lbs/  
13          mmBtu), pounds per hour (lbs/hr) or such other  
14          form as the Administrator may prescribe by regula-  
15          tions under section 405.

16          “(15) The term ‘designated representative’  
17          means a responsible person or official authorized by  
18          the owner or operator of a unit and the facility that  
19          includes the unit to represent the owner or operator  
20          in matters pertaining to the holding, transfer, or dis-  
21          position of allowances, and the submission of and  
22          compliance with permits, permit applications, and  
23          compliance plans.



1           “(16) The term ‘duct burner’ means a combus-  
2           tion device that uses the exhaust from a combustion  
3           turbine to burn fuel for heat recovery.

4           “(17) The term ‘facility’ means all buildings,  
5           structures, or installations located on one or more  
6           contiguous or adjacent properties under common  
7           control of the same person or persons.

8           “(18) The term ‘fossil fuel’ means natural gas,  
9           petroleum, coal, or any form of solid, liquid, or gas-  
10          eous fuel derived from such material.

11          “(19) The term ‘fossil fuel-fired’ with regard to  
12          a unit means combusting fossil fuel, alone or in com-  
13          bination with any amount of other fuel or material.

14          “(20) The term ‘fuel oil’ means a petroleum-  
15          based fuel, including diesel fuel or petroleum deriva-  
16          tives.

17          “(21) The term ‘gas-fired’ with regard to a unit  
18          means, except under subpart 1 of part B and sub-  
19          part 1 of part C, combusting only natural gas or  
20          fuel oil, with natural gas comprising at least 90 per-  
21          cent, and fuel oil comprising no more than 10 per-  
22          cent, of the unit’s total heat input in any year.

23          “(22) The term ‘gasify’ means to convert car-  
24          bon-containing material into a gas consisting pri-  
25          marily of carbon monoxide and hydrogen.



1           “(23) The term ‘generator’ means a device that  
2 produces electricity and, under subpart 1 of part B  
3 and subpart 1 of part C, that is reported as a gener-  
4 ating unit pursuant to Department of Energy Form  
5 860.

6           “(24) The term ‘heat input’ with regard to a  
7 specific period of time means the product (in  
8 mmBtu/time) of the gross calorific value of the fuel  
9 (in mmBtu/lb) and the fuel feed rate into a unit (in  
10 lb of fuel/time) and does not include the heat derived  
11 from preheated combustion air, recirculated flue  
12 gases, or exhaust.

13           “(25) The term ‘integrated gasification com-  
14 bined cycle plant’ means any combination of equip-  
15 ment used to gasify fossil fuels (with or without  
16 other material) and then burn the gas in a combined  
17 cycle combustion turbine.

18           “(26) The term ‘oil-fired’ with regard to a unit  
19 means, except under section 424 and 434, com-  
20 busting fuel oil for more than 10 percent of the  
21 unit’s total heat input, and combusting no coal or  
22 coal-derived fuel, in any year.

23           “(27) The term ‘owner or operator’ with regard  
24 to a unit or facility means, except for subpart 1 of  
25 part B and subpart 1 of part C, any person who



1 owns, leases, operates, controls, or supervises the  
2 unit or the facility.

3 “(28) The term ‘permitting authority’ means  
4 the Administrator, or the State or local air pollution  
5 control agency, with an approved permitting pro-  
6 gram under title V of the Act.

7 “(29) The term ‘potential electrical output’ with  
8 regard to a generator means the nameplate capacity  
9 of the generator multiplied by 8,760 hours.

10 “(30) The term ‘simple cycle combustion tur-  
11 bine’ means a combustion turbine that does not ex-  
12 tract heat from the combustion turbine exhaust  
13 gases.

14 “(31) The term ‘source’ means, except for sec-  
15 tions 410, 481, and 482, all buildings, structures, or  
16 installations located on one or more contiguous or  
17 adjacent properties under common control of the  
18 same person or persons.

19 “(32) The term ‘State’ means—

20 “(A) one of the 48 contiguous States,  
21 Alaska, Hawaii, the District of Columbia, the  
22 Commonwealth of Puerto Rico, the Virgin Is-  
23 lands, Guam, American Samoa, or the Com-  
24 monwealth of the Northern Mariana Islands; or



1           “(B) under subpart 1 of part B and sub-  
2           part 1 of part C, one of the 48 contiguous  
3           States or the District of Columbia.

4           “(33) The term ‘unit’ means—

5           “(A) a fossil fuel-fired boiler, combustion  
6           turbine, or integrated gasification combined  
7           cycle plan; or

8           “(B) under subpart 1 of part B and sub-  
9           part 1 of part C, a fossil fuel-fired combustion  
10          device.

11          “(34) The term ‘utility unit’ shall have the  
12          meaning set forth in section 411.

13          “(35) The term ‘year’ means calendar year.

14   **SEC. 403. ALLOWANCE SYSTEM.**

15          “(a) ALLOCATIONS IN GENERAL.—

16          “(1) For the emission limitation programs  
17          under this title, the Administrator shall allocate an-  
18          nual allowances for an affected unit, to be held or  
19          distributed by the designated representative of the  
20          owner or operator in accordance with this title as  
21          follows—

22          “(A) sulfur dioxide allowances in an  
23          amount equal to the annual tonnage emission  
24          limitation calculated under section 413, 414,  
25          415, or 416, except as otherwise specifically



1 provided elsewhere in subpart 1 of part B, or  
2 in an amount calculated under section 424 or  
3 434,

4 “(B) nitrogen oxides allowances in an  
5 amount calculated under section 454, and

6 “(C) mercury allowances in an amount cal-  
7 culated under section 474.


8 “(2) Notwithstanding any other provision of  
9 law to the contrary, the calculation of the allocation  
10 for any unit or facility, and the determination of any  
11 values used in such calculation, under sections 424,  
12 434, 454, and 474 shall not be subject to judicial re-  
13 view.

14 “(3) Allowances shall be allocated by the Ad-  
15 ministrator without cost to the recipient, and shall  
16 be auctioned or sold by the Administrator, in accord-  
17 ance with this title.

18 “(b) ALLOWANCE TRANSFER SYSTEM.—Allowances  
19 allocated, auctioned, or sold by the Administrator under  
20 this title may be transferred among designated representa-  
21 tives of the owners or operators of affected facilities under  
22 this title and any other person, as provided by the allow-  
23 ance system regulations promulgated by the Adminis-  
24 trator. With regard to sulfur dioxide allowances, the Ad-  
25 ministrator shall implement this subsection under 40 CFR



1 part 73 (2002), amended as appropriate by the Adminis-  
2 trator. With regard to nitrogen oxides allowances and mer-  
3 cury allowances, the Administrator shall implement this  
4 subsection by promulgating regulations not later than 24  
5 months after the date of enactment of the Clear Skies Act  
6 of 2003. The regulations under this subsection shall estab-  
7 lish the allowance system prescribed under this section,  
8 including, but not limited to, requirements for the alloca-  
9 tion, transfer, and use of allowances under this title. Such  
10 regulations shall prohibit the use of any allowance prior  
11 to the calendar year for which the allowance was allocated  
12 or auctioned and shall provide, consistent with the pur-  
13 poses of this title, for the identification of unused allow-  
14 ances, and for such unused allowances to be carried for-  
15 ward and added to allowances allocated in subsequent  
16 years, except as otherwise provided in section 425. Such  
17 regulations shall provide, or shall be amended to provide,  
18 that transfers of allowances shall not be effective until cer-  
19 tification of the transfer, signed by a responsible official  
20 of the transferor, is received and recorded by the Adminis-  
21 trator.



22 “(c) ALLOWANCE TRACKING SYSTEM.—The Admin-  
23 istrator shall promulgate regulations establishing a system  
24 for issuing, recording, and tracking allowances, which  
25 shall specify all necessary procedures and requirements for

1 an orderly and competitive functioning of the allowance  
2 system. Such system shall provide, not later than the com-  
3 mencement date of the nitrogen oxides allowance require-  
4 ment under section 452, for one or more facility-wide ac-  
5 counts for holding sulfur dioxide allowances, nitrogen ox-  
6 ides allowances, and, if applicable, mercury allowances for  
7 all affected units at an affected facility. With regard to  
8 sulfur dioxide allowances, the Administrator shall imple-  
9 ment this subsection under 40 CFR part 73 (2002),  
10 amended as appropriate by the Administrator. With re-  
11 gard to nitrogen oxides allowances and mercury allow-  
12 ances, the Administrator shall implement this subsection  
13 by promulgating regulations not later than 24 months  
14 after the date of enactment of the Clear Skies Act of 2002.  
15 All allowance allocations and transfers shall, upon record-  
16 ing by the Administrator, be deemed a part of each unit's  
17 or facility's permit requirements pursuant to section 404,  
18 without any further permit review and revision.

19 “(d) NATURE OF ALLOWANCES.—A sulfur dioxide al-  
20 lowance, nitrogen oxides allowance, or mercury allowance  
21 allocated, auctioned, or sold by the Administrator under  
22 this title is a limited authorization to emit one ton of sul-  
23 fur dioxide, one ton of nitrogen oxides, or one ounce of  
24 mercury, as the case may be, in accordance with the provi-  
25 sions of this title. Such allowance does not constitute a





1 property right. Nothing in this title or in any other provi-  
2 sion of law shall be construed to limit the authority of  
3 the United States to terminate or limit such authorization.  
4 Nothing in this section relating to allowances shall be con-  
5 strued as affecting the application of, or compliance with,  
6 any other provision of this Act to an affected unit or facil-  
7 ity, including the provisions related to applicable National  
8 Ambient Air Quality Standards and State implementation  
9 plans. Nothing in this section shall be construed as requir-  
10 ing a change of any kind in any State law regulating elec-  
11 tric utility rates and charges or affecting any State law  
12 regarding such State regulation or as limiting State regu-  
13 lation (including any prudence review) under such a State  
14 law. Nothing in this section shall be construed as modi-  
15 fying the Federal Power Act or as affecting the authority  
16 of the Federal Energy Regulatory Commission under that  
17 Act. Nothing in this title shall be construed to interfere  
18 with or impair any program for competitive bidding for  
19 power supply in a State in which such program is estab-  
20 lished. Allowances, once allocated or auctioned to a person  
21 by the Administrator, may be received, held, and tempo-  
22 rarily or permanently transferred in accordance with this  
23 title and the regulations of the Administrator without re-  
24 gard to whether or not a permit is in effect under title



1 V or section 404 with respect to the unit for which such  
2 allowance was originally allocated and recorded.

3 “(e) PROHIBITION.—

4 “(1) It shall be unlawful for any person to hold,  
5 use, or transfer any allowance allocated, auctioned,  
6 or sold by the Administrator under this title, except  
7 in accordance with regulations promulgated by the  
8 Administrator.

9 “(2) It shall be unlawful for any affected unit  
10 or for the affected units at a facility to emit sulfur  
11 dioxide, nitrogen oxides, and mercury, as the case  
12 may be, during a year in excess of the number of al-  
13 lowances held for that unit or facility for that year  
14 by the owner or operator as provided in sections  
15 412(c), 422, 432, 452, and 472.

16 “(3) The owner or operator of a facility may  
17 purchase allowances directly from the Administrator  
18 to be used only to meet the requirements of sections  
19 422, 432, 452, and 472, as the case may be, for the  
20 year in which the purchase is made or the prior  
21 year. Not later than 36 months after the date of en-  
22 actment of the Clear Skies Act of 2003, the Admin-  
23 istrator shall promulgate regulations providing for  
24 direct sales of sulfur dioxide allowances, nitrogen ox-  
25 ides allowances, and mercury allowances to an owner



1 or operator of a facility. The regulations shall pro-  
2 vide that—

3 “(A) such allowances may be used only to  
4 meet the requirements of section 422, 432, 452,  
5 and 472, as the case may be, for such facility  
6 and for the year in which the purchase is made  
7 or the prior year,

8 “(B) each such sulfur dioxide allowance  
9 shall be sold for \$4,000, each such nitrogen ox-  
10 ides allowance shall be sold for \$4,000, and  
11 each such mercury allowance shall be sold for  
12 \$2,187.50, with such prices adjusted for infla-  
13 tion based on the Consumer Price Index on the  
14 date of enactment of the Clear Skies Act of  
15 2003 and annually thereafter,

16 “(C) the proceeds from any sales of allow-  
17 ances under subparagraph (B) shall be depos-  
18 ited in the United States Treasury,

19 “(D) the allowances directly purchased for  
20 use for the year specified in subparagraph (A)  
21 shall be taken from, and reduce, the amount of  
22 sulfur dioxide allowances, nitrogen oxides allow-  
23 ances, or mercury allowances, as the case may  
24 be, that would otherwise be auctioned under  
25 section 423, 453, or 473 starting for the year



1 after the specified year and continuing for each  
2 subsequent year as necessary,

3 “(E) if an owner or operator does not use  
4 any such allowance in accordance with para-  
5 graph (A)—

6 “(i) the owner or operator shall hold  
7 the allowance for deduction by the Admin-  
8 istrator, and

9 “(ii) the Administrator shall deduct  
10 the allowance, without refund or other  
11 form of recompense, and offer it for sale in  
12 the auction from which it was taken under  
13 subparagraph (D) or a subsequent relevant  
14 auction as necessary, and

15 “(F) if the direct sales of allowances result  
16 in the removal of all sulfur dioxide allowances,  
17 nitrogen oxides allowances, or mercury allow-  
18 ances, as the case may be, from auctions under  
19 section 423, 453, or 473 for 3 consecutive  
20 years, the Administrator shall conduct a study  
21 to determine whether revisions to the relevant  
22 allowance trading program are necessary and  
23 shall report the results to the Congress.

24 “(4) Allowances may not be used prior to the  
25 calendar year for which they are allocated or auc-



1           tioned. Nothing in this section or in the allowance  
2           system regulations shall relieve the Administrator of  
3           the Administrator's permitting, monitoring and en-  
4           forcement obligations under this Act, nor relieve af-  
5           fected facilities of their requirements and liabilities  
6           under the Act.

7           “(f) COMPETITIVE BIDDING FOR POWER SUPPLY.—  
8           Nothing in this title shall be construed to interfere with  
9           or impair any program for competitive bidding for power  
10          supply in a State in which such program is established.

11          “(g) APPLICABILITY OF THE ANTITRUST LAWS.—(1)  
12          Nothing in this section affects—

13                 “(A) the applicability of the antitrust laws to  
14                 the transfer, use, or sale of allowances, or

15                 “(B) the authority of the Federal Energy Regu-  
16                 latory Commission under any provision of law re-  
17                 specting unfair methods of competition or anti-  
18                 competitive acts or practices.

19          “(2) As used in this section, ‘antitrust laws’ means  
20          those Acts set forth in section 1 of the Clayton Act (15  
21          U.S.C. 12), as amended.

22          “(h) PUBLIC UTILITY HOLDING COMPANY ACT.—  
23          The acquisition or disposition of allowances pursuant to  
24          this title including the issuance of securities or the under-  
25          taking of any other financing transaction in connection



1 with such allowances shall not be subject to the provisions  
2 of the Public Utility Holding Company Act of 1935.

3 “(i) INTERPOLLUTANT TRADING.—Not later 6 years  
4 after the enactment of the Clear Skies Act of 2003, the  
5 Administrator shall furnish to the Congress a study evalu-  
6 ating the environmental and economic consequences of  
7 amending this title to permit trading sulfur dioxide allow-  
8 ances for nitrogen oxides allowances and nitrogen oxides  
9 allowances for sulfur dioxide allowances.

10 “(j) INTERNATIONAL TRADING.—Not later than 24  
11 months after the date of enactment of the Clear Skies Act  
12 of 2003, the Administrator shall furnish to the Congress  
13 a study evaluating the feasibility of international trading  
14 of sulfur dioxide allowances, nitrogen oxides allowances,  
15 and mercury allowances.

16 **“SEC. 404. PERMITS AND COMPLIANCE PLANS.**

17 “(a) PERMIT PROGRAM.—The provisions of this title  
18 shall be implemented, subject to section 403, by permits  
19 issued to units and facilities subject to this title and en-  
20 forced in accordance with the provisions of title V, as  
21 modified by this title. Any such permit issued by the Ad-  
22 ministrator, or by a State with an approved permit pro-  
23 gram, shall prohibit—

24 “(1) annual emissions of sulfur dioxide, nitro-  
25 gen oxides, and mercury in excess of the number of



1 allowances required to be held in accordance with  
2 sections 412(c), 422, 432, 452, and 472,

3 “(2) exceeding applicable emissions rates under  
4 section 441,

5 “(3) the use of any allowance prior to the year  
6 for which it was allocated or auctioned, and

7 “(4) contravention of any other provision of the  
8 permit.

9 No permit shall be issued that is inconsistent with the re-  
10 quirements of this title, and title V as applicable.

11 “(b) COMPLIANCE PLAN.—Each initial permit appli-  
12 cation shall be accompanied by a compliance plan for the  
13 facility to comply with its requirements under this title.  
14 Where an affected facility consists of more than one af-  
15 fected unit, such plan shall cover all such units, and such  
16 facility shall be considered a ‘facility’ under section  
17 502(c). Nothing in this section regarding compliance plans  
18 or in title V shall be construed as affecting allowances.

19 “(1) Submission of a statement by the owner or  
20 operator, or the designated representative of the  
21 owners and operators, of a unit subject to the emis-  
22 sions limitation requirements of sections 412(c),  
23 413, 414, and 441, that the unit will meet the appli-  
24 cable emissions limitation requirements of such sec-  
25 tions in a timely manner or that, in the case of the



1 emissions limitation requirements of sections 412(c),  
2 413, and 414, the owners and operators will hold  
3 sulfur dioxide allowances in the amount required by  
4 section 412(c), shall be deemed to meet the proposed  
5 and approved compliance planning requirements of  
6 this section and title V, except that, for any unit  
7 that will meet the requirements of this title by  
8 means of an alternative method of compliance au-  
9 thorized under section 413 (b), (c), (d), or (f), sec-  
10 tion 416, and section 441 (d) or (e), the proposed  
11 and approved compliance plan, permit application  
12 and permit shall include, pursuant to regulations  
13 promulgated by the Administrator, for each alter-  
14 native method of compliance a comprehensive de-  
15 scription of the schedule and means by which the  
16 unit will rely on one or more alternative methods of  
17 compliance in the manner and time authorized under  
18 subpart 1 of part B or subpart 1 of part C.

19 “(2) Submission of a statement by the owner or  
20 operator, or the designated representative, of a facil-  
21 ity that includes a unit subject to the emissions limi-  
22 tation requirements of sections 422, 432, 452, and  
23 472 that the owner or operator will hold sulfur diox-  
24 ide allowances, nitrogen oxide allowances, and mer-  
25 cury allowances, as the case may be, in the amount





1 required by such sections shall be deemed to meet  
2 the proposed and approved compliance planning re-  
3 quirements of this section and title V with regard to  
4 subparts A through D.

5 “(3) Recording by the Administrator of trans-  
6 fers of allowances shall amend automatically all ap-  
7 plicable proposed or approved permit applications,  
8 compliance plans and permits.

9 “(c) PERMITS.—The owner or operator of each facil-  
10 ity under this title that includes an affected unit subject  
11 to title V shall submit a permit application and compliance  
12 plan with regard to the applicable requirements under sec-  
13 tions 412(c), 422, 432, 441, 452, and 472 for sulfur diox-  
14 ide emissions, nitrogen oxide emissions, and mercury emis-  
15 sions from such unit to the permitting authority in accord-  
16 ance with the deadline for submission of permit applica-  
17 tions and compliance plans under title V. The permitting  
18 authority shall issue a permit to such owner or operator,  
19 or the designated representative of such owner or oper-  
20 ator, that satisfies the requirements of title V and this  
21 title.

22 “(d) AMENDMENT OF APPLICATION AND COMPLI-  
23 ANCE PLAN.—At any time after the submission of an ap-  
24 plication and compliance plan under this section, the ap-



1 plicant may submit a revised application and compliance  
2 plan, in accordance with the requirements of this section.

3 “(e) PROHIBITION.—

4 “(1) It shall be unlawful for an owner or oper-  
5 ator, or designated representative, required to sub-  
6 mit a permit application or compliance plan under  
7 this title to fail to submit such application or plan  
8 in accordance with the deadlines specified in this  
9 section or to otherwise fail to comply with regula-  
10 tions implementing this section.

11 “(2) It shall be unlawful for any person to oper-  
12 ate any facility subject to this title except in compli-  
13 ance with the terms and requirements of a permit  
14 application and compliance plan (including amend-  
15 ments thereto) or permit issued by the Adminis-  
16 trator or a State with an approved permit program.  
17 For purposes of this subsection, compliance, as pro-  
18 vided in section 504(f), with a permit issued under  
19 title V which complies with this title for facilities  
20 subject to this title shall be deemed compliance with  
21 this subsection as well as section 502(a).

22 “(3) In order to ensure reliability of electric  
23 power, nothing in this title or title V shall be con-  
24 strued as requiring termination of operations of a  
25 unit serving a generator for failure to have an ap-



1 proved permit or compliance plan under this section,  
2 except that any such unit may be subject to the ap-  
3 plicable enforcement provisions of section 113.

4 “(f) CERTIFICATE OF REPRESENTATION.—No per-  
5 mit shall be issued under this section to an affected unit  
6 or facility until the designated representative of the own-  
7 ers or operators has filed a certificate of representation  
8 with regard to matters under this title, including the hold-  
9 ing and distribution of allowances and the proceeds of  
10 transactions involving allowances.

11 **“SEC. 405. MONITORING, REPORTING, AND RECORD-**  
12 **KEEPING REQUIREMENTS.**

13 “(a) APPLICABILITY.—

14 “(1)(A) The owner and operator of any facility  
15 subject to this title shall be required to install and  
16 operate CEMS on each affected unit subject to sub-  
17 part 1 of part B or subpart 1 of part C at the facil-  
18 ity, and to quality assure the data, for sulfur diox-  
19 ide, nitrogen oxides, opacity, and volumetric flow at  
20 each such unit.

21 “(B) The Administrator shall, by regulations,  
22 specify the requirements for CEMS under subpara-  
23 graph (A), for any alternative monitoring system  
24 that is demonstrated as providing information with  
25 the same precision, reliability, accessibility, and time



1 lines as that provided by CEMS, and for record-  
2 keeping and reporting of information from such sys-  
3 tems. Such regulations may include limitations on  
4 the use of alternative compliance methods by units  
5 equipped with an alternative monitoring system as  
6 may be necessary to preserve the orderly functioning  
7 of the allowance system, and which will ensure the  
8 emissions reductions contemplated by this title.  
9 Where 2 or more units utilize a single stack, a sepa-  
10 rate CEMS shall not be required for each unit, and  
11 for such units the regulations shall require that the  
12 owner or operator collect sufficient information to  
13 permit reliable compliance determinations for each  
14 such unit.

15 “(2)(A) The owner and operator of any facility  
16 subject to this title shall be required to install and  
17 operate CEMS to monitor the emissions from each  
18 affected unit at the facility, and to quality assure  
19 the data for—

20 “(i) sulfur dioxide, opacity, and volumetric  
21 flow for all affected units subject to subpart 2  
22 of part B at the facility,

23 “(ii) nitrogen oxides for all affected units  
24 subject to subpart 2 of part C at the facility,  
25 and



1           “(iii) mercury for all affected units subject  
2           to part D at the facility.

3           “(B)(i) The Administrator shall, by regulations,  
4           specify the requirements for CEMS under subpara-  
5           graph (A), for any alternative monitoring system  
6           that is demonstrated as providing information with  
7           the same precision, reliability, accessibility, and  
8           timeliness as that provided by CEMS, for record-  
9           keeping and reporting of information from such sys-  
10          tems, and if necessary under section 474, for moni-  
11          toring, recordkeeping, and reporting of the mercury  
12          content of fuel.

13          “(ii) Notwithstanding the requirements of  
14          clause (i), the regulations under clause (i) may  
15          specify an alternative monitoring system for deter-  
16          mining mercury emissions to the extent that the Ad-  
17          ministrator determines that CEMS for mercury with  
18          appropriate vendor guarantees are not commercially  
19          available.

20          “(iii) The regulations under clause (i) may in-  
21          clude limitation on the use of alternative compliance  
22          methods by units equipped with an alternative moni-  
23          toring system as may be necessary to preserve the  
24          orderly functioning of the allowance system, and



1 which will ensure the emissions reductions con-  
2 templated by this title.

3 “(iv) Except as provided in clause (v), the regu-  
4 lations under clause (i) shall not require a separate  
5 CEMS for each unit where two or more units utilize  
6 a single stack and shall require that the owner or  
7 operator collect sufficient information to permit reli-  
8 able compliance determinations for such units.

9 “(v) The regulations under clause (i) may re-  
10 quire a separate CEMS for each unit where two or  
11 more units utilize a single stack and another provi-  
12 sion of the Act requires data under subparagraph  
13 (A) for an individual unit.

14 “(b) DEADLINES.—

15 “(1) NEW UTILITY UNITS.—Upon commence-  
16 ment of commercial operation of each new utility  
17 unit under subpart I of part B, the unit shall comply  
18 with the requirements of subsection (a)(1).

19 “(2) DEADLINE FOR AFFECTED UNITS UNDER  
20 SUBPART 2 OF PART B FOR INSTALLATION AND OP-  
21 ERATION OF CEMS.—By the later of the date 12  
22 months before the commencement date of the sulfur  
23 dioxide allowance requirement of section 422, or the  
24 date on which the unit commences operation, the  
25 owner or operator of each affected unit under sub-



1 part 2 of part B shall install and operate CEMS,  
2 quality assure the data, and keep records and re-  
3 ports in accordance with the regulations issued  
4 under paragraph (a)(2) with regard to sulfur diox-  
5 ide, opacity, and volumetric flow.

6 “(3) DEADLINE FOR AFFECTED UNITS UNDER  
7 SUBPART 3 OF PART B FOR INSTALLATION AND OP-  
8 ERATION OF CEMS.—By the later of January 1 of  
9 the year before the first covered year or the date on  
10 which the unit commences operation, the owner or  
11 operator of each affected unit under subpart 3 of  
12 part B shall install and operate CEMS, quality as-  
13 sure the data, and keep records and reports in ac-  
14 cordance with the regulations issued under para-  
15 graph (a)(2) with regard to sulfur dioxide and volu-  
16 metric flow.

17 “(4) DEADLINE FOR AFFECTED UNITS UNDER  
18 SUBPART 2 OF PART C FOR INSTALLATION AND OP-  
19 ERATION OF CEMS.—By the later of the date 12  
20 months before the commencement date of the nitro-  
21 gen oxides allowance requirement under section 452,  
22 or the date on which the unit commences operation,  
23 the owner or operator of each affected unit under  
24 subpart 2 of part C shall install and operate CEMS,  
25 quality assure the data, and keep records and re-



1 ports in accordance with the regulations issued  
2 under paragraph (a)(2) with regard to nitrogen ox-  
3 ides.

4 “(5) DEADLINE FOR AFFECTED UNITS UNDER  
5 PART D FOR INSTALLATION AND OPERATION OF  
6 CEMS.—By the later of the date 12 months before  
7 the commencement date of the mercury allowance  
8 requirement of section 472, or the date on which the  
9 unit commences operation, the owner or operator of  
10 each affected unit under part D shall install and op-  
11 erate CEMS, quality assure the data, and keep  
12 records and reports in accordance with the regula-  
13 tions issued under paragraph (a)(2) with regard to  
14 mercury.

15 “(c) UNAVAILABILITY OF EMISSIONS DATA.—If  
16 CEMS data or data from an alternative monitoring system  
17 approved by the Administrator under subsection (a) is not  
18 available for any affected unit during any period of a cal-  
19 endar year in which such data is required under this title,  
20 and the owner or operator cannot provide information,  
21 satisfactory to the Administrator, on emissions during  
22 that period, the Administrator shall deem the unit to be  
23 operating in an uncontrolled manner during the entire pe-  
24 riod for which the data was not available and shall, by  
25 regulation, prescribe means to calculate emissions for that





1 period. The owner or operator shall be liable for excess  
2 emissions fees and offsets under section 406 in accordance  
3 with such regulations. Any fee due and payable under this  
4 subsection shall not diminish the liability of the unit's  
5 owner or operator for any fine, penalty, fee or assessment  
6 against the unit for the same violation under any other  
7 section of this Act.

8       “(d) IMPLEMENTATION.—With regard to sulfur diox-  
9 ide, nitrogen oxides, opacity, and volumetric flow, the Ad-  
10 ministrator shall implement subsections (a) and (c) under  
11 40 CFR part 75 (2002), amended as appropriate by the  
12 Administrator. With regard to mercury, the Administrator  
13 shall implement subsections (a) and (c) by issuing pro-  
14 posed regulations not later than 36 months before the  
15 commencement date of the mercury allowance requirement  
16 under section 472 and final regulations not later than 24  
17 months before that commencement date.

18       “(e) PROHIBITION.—It shall be unlawful for the  
19 owner or operator of any facility subject to this title to  
20 operate a facility without complying with the requirements  
21 of this section, and any regulations implementing this sec-  
22 tion.



1 **“SEC. 406. EXCESS EMISSIONS PENALTY; GENERAL COMPLI-**  
2 **ANCE WITH OTHER PROVISIONS; ENFORCE-**  
3 **MENT.**

4 “(a) EXCESS EMISSIONS PENALTY.—

5 “(1) AMOUNT FOR OXIDES OF NITROGEN.—The  
6 owner or operator of any unit subject to the require-  
7 ments of section 441 that emits nitrogen oxides for  
8 any calendar year in excess of the unit’s emissions  
9 limitation requirement shall be liable for the pay-  
10 ment of an excess emissions penalty, except where  
11 such emission were authorized pursuant to section  
12 110(f). That penalty shall be calculated on the basis  
13 of the number of tons emitted in excess of the unit’s  
14 emissions limitation requirement multiplied by  
15 \$2,000.

16 “(2) AMOUNT FOR SULFUR DIOXIDE BEFORE  
17 2008.—The owner or operator of any unit subject to  
18 the requirements of section 412(c) that emits sulfur  
19 dioxide for any calendar year before 2008 in excess  
20 of the sulfur dioxide allowances the owner or oper-  
21 ator holds for use for the unit for that calendar year  
22 shall be liable for the payment of an excess emis-  
23 sions penalty, except where such emissions were au-  
24 thorized pursuant to section 110(f). That penalty  
25 shall be calculated as follows:



1           “(A) the product of the unit’s excess emis-  
2           sions (in tons) multiplied by the clearing price  
3           of sulfur dioxide allowances sold at the most re-  
4           cent auction under section 417, if within thirty  
5           days after the date on which the owner or oper-  
6           ator was required to hold sulfur dioxide  
7           allowances—

8                   “(i) the owner or operator offsets the  
9                   excess emissions in accordance with para-  
10                  graph (b)(1); and

11                  “(ii) the Administrator receives the  
12                  penalty required under this subparagraph.

13           “(B) if the requirements of clause (A)(i) or  
14           (A)(ii) are not met, 300 percent of the product  
15           of the unit’s excess emissions (in tons) multi-  
16           plied by the clearing price of sulfur dioxide al-  
17           lowances sold at the most recent auction under  
18           section 417.

19           “(3) AMOUNT FOR SULFUR DIOXIDE AFTER  
20           2007.—If the units at a facility that are subject to  
21           the requirements of section 412(c) emit sulfur diox-  
22           ide for any calendar year after 2007 in excess of the  
23           sulfur dioxide allowances that the owner or operator  
24           of the facility holds for use for the facility for that  
25           calendar year, the owner or operator shall be liable



1 for the payment of an excess emissions penalty, ex-  
2 cept where such emissions were authorized pursuant  
3 to section 110(f). That penalty shall be calculated  
4 under paragraph (4)(A) or (4)(B).

5 “(4) UNITS SUBJECT TO SECTIONS 422, 432, 452,  
6 OR 472 .—If the units at a facility that are subject  
7 to the requirements of section 422, 432, 452, or 472  
8 emit sulfur dioxide, nitrogen oxides, or mercury for  
9 any calendar year in excess of the sulfur dioxide al-  
10 lowances, nitrogen oxides allowances, or mercury al-  
11 lowances, as the case may be, that the owner or op-  
12 erator of the facility holds for use for the facility for  
13 that calendar year, the owner or operator shall be  
14 liable for the payment of an excess emissions pen-  
15 alty, except where such emissions were authorized  
16 pursuant to section 110(f). That penalty shall be  
17 calculated as follows:

18 “(A) the product of the units’ excess emis-  
19 sions (in tons or, for mercury emissions, in  
20 ounces) multiplied by the clearing price of sul-  
21 fur dioxide allowances, nitrogen oxides allow-  
22 ances, or mercury allowances, as the case may  
23 be, sold at the most recent auction under sec-  
24 tion 423, 453, or 473, if within thirty days  
25 after the date on which the owner or operator



1 was required to hold sulfur dioxide, nitrogen ox-  
2 ides allowance, or mercury allowances as the  
3 case may be—

4 “(i) the owner or operator offsets the  
5 excess emissions in accordance with para-  
6 graph (b)(2) or (b)(3), as applicable; and

7 “(ii) the Administrator receives the  
8 penalty required under this subparagraph.

9 “(B) if the requirements of clause (A)(i) or  
10 (A)(ii) are not met, 300 percent of the product  
11 of the units’ excess emissions (in tons or, for  
12 mercury emissions, in ounces) multiplied by the  
13 clearing price of sulfur dioxide allowances, ni-  
14 trogen oxides allowances, or mercury allow-  
15 ances, as the case may be, sold at the most re-  
16 cent auction under section 423, 453, or 473.

17 “(5) PAYMENT.—Any penalty under paragraph  
18 1, 2, 3, or 4 shall be due and payable without de-  
19 mand to the Administrator as provided in regula-  
20 tions issued by the Administrator. With regard to  
21 the penalty under paragraph 1, the Administrator  
22 shall implement this paragraph under 40 CFR part  
23 77 (2002), amended as appropriate by the Adminis-  
24 trator. With regard to the penalty under paragraphs  
25 2, 3, and 4, the Administrator shall implement this



1 paragraph by issuing regulations no later than 24  
2 months after the date of enactment of the Clear  
3 Skies Act of 2003. Any such payment shall be de-  
4 posited in the United States Treasury. Any penalty  
5 due and payable under this section shall not dimin-  
6 ish the liability of the unit's owner or operator for  
7 any fine, penalty or assessment against the unit for  
8 the same violation under any other section of this  
9 Act.

10 “(b) EXCESS EMISSIONS OFFSET.—

11 “(1) The owner or operator of any unit subject  
12 to the requirements of section 412(c) that emits sul-  
13 fur dioxide during any calendar year before 2008 in  
14 excess of the sulfur dioxide allowances held for the  
15 unit for the calendar year shall be liable to offset the  
16 excess emissions by an equal tonnage amount in the  
17 following calendar year, or such longer period as the  
18 Administrator may prescribe. The Administrator  
19 shall deduct sulfur dioxide allowances equal to the  
20 excess tonnage from those held for the facility for  
21 the calendar year, or succeeding years during which  
22 offsets are required, following the year in which the  
23 excess emissions occurred.

24 “(2) If the units at a facility that are subject  
25 to the requirements of section 412(c) emit sulfur di-



1 oxide for a year after 2007 in excess of the sulfur  
2 dioxide allowances that the owner or operator of the  
3 facility holds for use for the facility for that calendar  
4 year, the owner or operator shall be liable to offset  
5 the excess emissions by an equal amount of tons in  
6 the following calendar year, or such longer period as  
7 the Administrator may prescribe. The Administrator  
8 shall deduct sulfur dioxide allowances equal to the  
9 excess emissions in tons from those held for the fa-  
10 cility for the year, or succeeding years during which  
11 offsets are required, following the year in which the  
12 excess emissions occurred.

13 “(3) If the units at a facility that are subject  
14 to the requirements of section 422, 432, 452, or 472  
15 emit sulfur dioxide, nitrogen oxides, or mercury for  
16 any calendar year in excess of the sulfur dioxide al-  
17 lowances, nitrogen oxides allowances, or mercury al-  
18 lowances, as the case may be, that the owner or op-  
19 erator of the facility holds for use for the facility for  
20 that calendar year, the owner or operator shall be  
21 liable to offset the excess emissions by an equal  
22 amount of tons or, for mercury, ounces in the fol-  
23 lowing calendar year, or such longer period as the  
24 Administrator may prescribe. The Administrator  
25 shall deduct sulfur dioxide allowances, nitrogen oxide



1 allowances, or mercury allowances, as the case may  
2 be, equal to the excess emissions in tons or, for mer-  
3 cury, ounces from those held for the facility for the  
4 year, or succeeding years during which offsets are  
5 required, following the year in which the excess  
6 emissions occurred.

7 “(c) PENALTY ADJUSTMENT.—The Administrator  
8 shall, by regulation, adjust the penalty specified in sub-  
9 section (a)(1) for inflation, based on the Consumer Price  
10 Index, on November 15, 1990, and annually thereafter.

11 “(d) PROHIBITION.—It shall be unlawful for the  
12 owner or operator of any unit or facility liable for a pen-  
13 alty and offset under this section to fail—

14 “(1) to pay the penalty under subsection (a); or

15 “(2) to offset excess emissions as required by  
16 subsection (b).

17 “(e) SAVINGS PROVISION.—Nothing in this title shall  
18 limit or otherwise affect the application of section 113,  
19 114, 120, or 304 except as otherwise explicitly provided  
20 in this title.

21 “(f) OTHER REQUIREMENTS.—Except as expressly  
22 provided, compliance with the requirements of this title  
23 shall not exempt or exclude the owner or operator of any  
24 facility subject to this title from compliance with any other  
25 applicable requirements of this Act. Notwithstanding any





1 other provision of this Act, no State or political subdivision  
2 thereof shall restrict or interfere with the transfer, sale,  
3 or purchase of allowances under this title.

4 “(g) VIOLATIONS.—Violation by any person subject  
5 to this title of any prohibition of, requirement of, or regu-  
6 lation promulgated pursuant to this title shall be a viola-  
7 tion of this Act. In addition to the other requirements and  
8 prohibitions provided for in this title, the operation of any  
9 affected unit or the affected units at a facility to emit sul-  
10 fur dioxide, nitrogen oxides, or mercury in violation of sec-  
11 tion 412(c), 422, 432, 452, and 472, as the case may be,  
12 shall be deemed a violation, with each ton or, in the case  
13 of mercury, each ounce emitted in excess of allowances  
14 held constituting a separate violation.

15 **“SEC. 407. ELECTION FOR ADDITIONAL UNITS.**

16 “(a) APPLICABILITY.—The owner or operator of any  
17 unit that is not an affected EGU under subpart 2 of part  
18 B and subpart 2 of part C and whose emissions of sulfur  
19 dioxide and nitrogen oxides are vented only through a  
20 stack or duct may elect to designate such unit as an af-  
21 fected unit under subpart 2 of part B and subpart 2 of  
22 part C. If the owner or operator elects to designate a unit  
23 that is coal-fired and emits mercury vented only through  
24 a stack or duct, the owner or operator shall also designate  
25 the unit as an affected unit under part D.



1       “(b) APPLICATION.—The owner or operator making  
2 an election under subsection (a) shall submit an applica-  
3 tion for the election to the Administrator for approval.

4       “(c) APPROVAL.—If an application for an election  
5 under subsection (b) meets the requirements of subsection  
6 (a), the Administrator shall approve the designation as an  
7 affected unit under subpart 2 of part B and subpart 2  
8 of part C and, if applicable, under part D, subject to the  
9 requirements in subsections (d) through (g).

10       “(d) ESTABLISHMENT OF BASELINE.—

11               “(1) After approval of the designation under  
12 subsection (c), the owner or operator shall install  
13 and operate CEMS on the unit, and shall quality as-  
14 sure the data, in accordance with the requirements  
15 of paragraph (a)(2) and subsections (c) through (e)  
16 of section 405, except that, where two or more units  
17 utilize a single stack, separate monitoring shall be  
18 required for each unit.

19               “(2) The baselines for heat input and sulfur di-  
20 oxide, nitrogen oxides, and mercury emission rates,  
21 as the case may be, for the unit shall be the unit’s  
22 heat input and the emission rates of sulfur dioxide,  
23 nitrogen oxides, and mercury for a year starting  
24 after approval of the designation under subsection  
25 (c). The Administrator shall issue regulations requir-



1 ing all the unit's baselines to be based on the same  
2 year and specifying minimum requirements con-  
3 cerning the percentage of the unit's operating hours  
4 for which quality assured CEMS data must be avail-  
5 able during such year.

6 “(e) EMISSION LIMITATIONS.—After approval of the  
7 designation of the unit under paragraph (c), the unit shall  
8 become:

9 “(1) an affected unit under subpart 2 of part  
10 B, and shall be allocated sulfur dioxide allowances  
11 under paragraph (f), starting the later of January 1,  
12 2010, or January 1 of the year after the year on  
13 which the unit's baselines are based under sub-  
14 section (d);

15 “(2) an affected unit under subpart 2 of part  
16 C, and shall be allocated nitrogen oxides allowances  
17 under paragraph (f), starting the later of January 1,  
18 2008, or January 1 of the year after the year on  
19 which the unit's baselines are based under sub-  
20 section (d); and

21 “(3) if applicable, an affected unit under part  
22 D, and shall be allocated mercury allowances, start-  
23 ing the later of January 1, 2010, or January 1 of  
24 the year after the year on which the unit's baselines  
25 are based under subsection (d).



1 “(f) ALLOCATIONS AND AUCTION AMOUNTS.—

2 “(1) The Administrator shall promulgate regu-  
3 lations determining the allocations of sulfur dioxide  
4 allowances, nitrogen oxides allowances, and, if appli-  
5 cable, mercury allowances for each year during  
6 which a unit is an affected unit under subsection (e).  
7 The regulations shall provide for allocations equal to  
8 50 percent of the following amounts, as adjusted  
9 under paragraph (2)—

10 “(A) the lesser of the unit’s baseline heat  
11 input under subsection (d) or the unit’s heat  
12 input for the year before the year for which the  
13 Administrator is determining the allocations;  
14 multiplied by

15 “(B) the lesser of—

16 “(i) the unit’s baseline sulfur dioxide  
17 emission rate, nitrogen oxides emission  
18 rate, or mercury emission rate, as the case  
19 may be;

20 “(ii) the unit’s sulfur dioxide emission  
21 rate, nitrogen oxides emission rate, or mer-  
22 cury emission rate, as the case may be,  
23 during 2002, as determined by the Admin-  
24 istrator based, to the extent available, on



1 information reported to the State where  
2 the unit is located; or

3 “(iii) the unit’s most stringent State  
4 or Federal emission limitation for sulfur  
5 dioxide, nitrogen oxides, or mercury appli-  
6 cable to the year on which the unit’s base-  
7 line heat input is based under subsection  
8 (d).

9 “(2) The Administrator shall reduce the alloca-  
10 tions under paragraph (1) by 1.0 percent in the first  
11 year for which the Administrator is allocating allow-  
12 ances to the unit, by an additional 1.0 percent of the  
13 allocations under paragraph (1) each year starting  
14 in the second year through the twentieth year, and  
15 by an additional 2.5 percent of the allocations under  
16 paragraph (1) each year starting in the 21 year and  
17 each year thereafter. The Administrator shall make  
18 corresponding increases in the amounts of allow-  
19 ances auctioned under sections 423, 453, and 473.

20 “(g) WITHDRAWAL.—The Administrator shall pro-  
21 mulgate regulations withdrawing from the approved des-  
22 ignation under subsection (c) any unit that qualifies as  
23 an affected EGU under subpart 2 of part B, subpart 2  
24 of part C, or part D after the approval of the designation  
25 of the unit under subsection (c).



1           “(h) The Administrator shall promulgate regulations  
2 implementing this section within 24 months of the date  
3 of enactment of the Clear Skies Act of 2003.

4           **“SEC. 408. CLEAN COAL TECHNOLOGY REGULATORY INCEN-**  
5   **TIVES.**

6           “(a) DEFINITION.—For purposes of this section,  
7 ‘clean coal technology’ means any technology, including  
8 technologies applied at the precombustion, combustion, or  
9 post combustion stage, at a new or existing facility which  
10 will achieve significant reductions in air emissions of sul-  
11 fur dioxide or oxides of nitrogen associated with the utili-  
12 zation of coal in the generation of electricity, process  
13 steam, or industrial products, which is not in widespread  
14 use as of the date of enactment of this title.

15           “(b) REVISED REGULATIONS FOR CLEAN COAL  
16 TECHNOLOGY DEMONSTRATIONS.—

17                   “(1) APPLICABILITY.—This subsection applies  
18 to physical or operational changes to existing facili-  
19 ties for the sole purpose of installation, operation,  
20 cessation, or removal of a temporary or permanent  
21 clean coal technology demonstration project. For the  
22 purposes of this section, a clean coal technology  
23 demonstration project shall mean a project using  
24 funds appropriated under the heading ‘Department  
25 of Energy—Clean Coal Technology’, up to a total



1 amount of \$2,500,000,000 for commercial dem-  
2 onstration of clean coal technology, or similar  
3 projects funded through appropriations for the Envi-  
4 ronmental Protection Agency. The Federal contribu-  
5 tion for qualifying project shall be at least 20 per-  
6 cent of the total cost of the demonstration project.

7 “(2) TEMPORARY PROJECTS.—Installation, op-  
8 eration, cessation, or removal of a temporary clean  
9 coal technology demonstration project that is oper-  
10 ated for a period of 5 years or less, and which com-  
11 plies with the State implementation plans for the  
12 State in which the project is located and other re-  
13 quirements necessary to attain and maintain the na-  
14 tional ambient air quality standards during and  
15 after the project is terminated, shall not subject  
16 such facility to the requirements of section 111 or  
17 part C or D of title I.

18 “(3) PERMANENT PROJECTS.—For permanent  
19 clean coal technology demonstration projects that  
20 constitute repowering as defined in section 411, any  
21 qualifying project shall not be subject to standards  
22 of performance under section 111 or to the review  
23 and permitting requirements of part C for any pol-  
24 lutant the potential emissions of which will not in-  
25 crease as a result of the demonstration project.



1           “(4) EPA REGULATIONS.—Not later than 12  
2           months after November 15, 1990, the Administrator  
3           shall promulgate regulations or interpretive rulings  
4           to revise requirements under section 111 and parts  
5           C and D, as appropriate, to facilitate projects con-  
6           sistent in this subsection. With respect to parts C  
7           and D, such regulations or rulings shall apply to all  
8           areas in which EPA is the permitting authority. In  
9           those instances in which the State is the permitting  
10          authority under part C or D, any State may adopt  
11          and submit to the Administrator for approval revi-  
12          sions to its implementation plan to apply the regula-  
13          tions or rulings promulgated under this subsection.

14          “(c) EXEMPTION FOR REACTIVATION OF VERY  
15          CLEAN UNITS.—Physical changes or changes in the meth-  
16          od of operation associated with the commencement of com-  
17          mercial operations by a coal-fired utility unit after a pe-  
18          riod of discontinued operation shall not subject the unit  
19          to the requirements of section 111 or part C of the Act  
20          where the unit—

21                 “(1) has not been in operation for the two-year  
22                 period prior to November 15, 1990, and the emis-  
23                 sions from such unit continue to be carried in the  
24                 permitting authority’s emissions inventory on No-  
25                 vember 15, 1990,





1           “(2) was equipped prior to shut-down with a  
2           continuous system of emissions control that achieves  
3           a removal efficiency for sulfur dioxide of no less  
4           than 85 percent and a removal efficiency for particu-  
5           lates of no less than 98 percent,

6           “(3) is equipped with low-NO<sub>x</sub> burners prior to  
7           the time of commencement, and

8           “(4) is otherwise in compliance with the re-  
9           quirements of this Act.

10 **“SEC. 409. AUCTIONS.**

11           “(a) IN GENERAL.—(1) Commencing in 2005 and in  
12           each year thereafter, the Administrator shall conduct auc-  
13           tions, as required under sections 423, 424, 426, 434, 453,  
14           454, 473, and 474, at which allowances shall be offered  
15           for sale in accordance with regulations promulgated by the  
16           Administrator no later than 24 months after the date of  
17           enactment of the Clear Skies Act of 2003.

18           “(2) Such regulations shall promote an efficient auc-  
19           tion outcome and a competitive market for allowances.

20           “(3) Such regulations may provide allowances to be  
21           offered for sale before or during the year for which such  
22           allowances may be used to meet the requirement to hold  
23           allowances under section 422, 432, 452, and 472, as the  
24           case may be. Such regulations shall specify the frequency  
25           and timing of auctions and may provide for more than



1 one auction of sulfur dioxide allowances, nitrogen oxides  
2 allowances, or mercury allowances during a year. Allow-  
3 ances purchased at the auction may be used for any pur-  
4 pose and at any time after the auction, subject to the pro-  
5 visions of this title.

6 “(4) The regulations shall provide that each auction  
7 shall be open to any person. A person wishing to bid for  
8 allowances in the auction shall submit bids according to  
9 auction procedures, a bidding schedule, a bidding means,  
10 and requirements for financial guarantees specified in the  
11 regulations. Winning bids, and required payments, for al-  
12 lowances shall be determined in accordance with the regu-  
13 lations. For any winning bid, the Administrator shall  
14 record the allowances in the Allowance Tracking System  
15 under section 403(c) only after the required payment for  
16 such allowances is received.

17 “(b) DEFAULT AUCTION PROCEDURES.—If the Ad-  
18 ministrator is required to conduct an auction of allowances  
19 under subsection (a) before regulations have been promul-  
20 gated under that subsection, such auction shall be con-  
21 ducted as follows:

22 “(1) The auction shall begin on the first busi-  
23 ness day in October of the year in which the auction  
24 is required or, of the year before the first year for



1 which the allowances may be used to meet the re-  
2 quirements of section 403(e)(2).

3 “(2) The auction shall be open to any person.

4 “(3) The auction shall be a multiple-round auc-  
5 tion in which sulfur dioxide allowances, nitrogen ox-  
6 ides allowances, and mercury allowances are offered  
7 simultaneously.

8 “(4) In order to bid for allowances included in  
9 the auction, a person shall submit, and the Adminis-  
10 trator must receive by the date three business days  
11 before the auction, one or more initial bids to pur-  
12 chase a specified quantity of sulfur dioxide allow-  
13 ances, nitrogen oxides allowances, and mercury al-  
14 lowances, as the case may be, at a reserve price  
15 specified by the Administrator. The bidder shall  
16 identify the account in the Allowance Tracking Sys-  
17 tem under section 403(e) in which the such allow-  
18 ances that are purchased are to be recorded. Each  
19 bid must be guaranteed by a certified check, a funds  
20 transfer, or, in a form acceptable to the Adminis-  
21 trator, a letter of credit for such quantity multiplied  
22 by the reserve price payable to the U.S. EPA.

23 “(5) The procedures in paragraph (4) shall con-  
24 stitute the first round of the auction.



1           “(6) In each round of the auction, the Adminis-  
2           trator shall-

3                   “(A) announce current round reserve  
4                   prices for sulfur dioxide allowances, nitrogen  
5                   oxides allowances, and mercury allowances;

6                   “(B) receive bids comprising nonnegative  
7                   quantities for sulfur dioxide allowances, nitro-  
8                   gen oxides allowances, and mercury allowances,  
9                   as the case may be;

10                   “(C) determine whether bids are acceptable  
11                   as meeting auction requirements;

12                   “(D) for sulfur dioxide allowances, nitro-  
13                   gen oxides allowances, and mercury allowances,  
14                   as the case may be, determine whether the sum  
15                   of the acceptable bids exceeds the quantity of  
16                   such allowances available for auction;

17                   “(E) if the sum of the acceptable bids for  
18                   sulfur dioxide allowances, nitrogen oxides allow-  
19                   ances, and mercury allowances, as the case may  
20                   be, exceeds the quantity of such allowances  
21                   available for auction, increase the reserve price  
22                   for the next round based on the amount by  
23                   which the sum of such acceptable bids exceeds  
24                   the quantity of such allowances;



1           “(F) if the sum of the acceptable bids for  
2 sulfur dioxide allowances, nitrogen oxides allow-  
3 ances, and mercury allowances, as the case may  
4 be, does not exceed the quantity of such allow-  
5 ances available for auction, declare that round  
6 the last round of the auction for such allow-  
7 ances.

8           “(7) In the second and all subsequent  
9 rounds of the auction, the Administrator shall  
10 require that, for sulfur dioxide allowances, ni-  
11 trogen oxides allowances, and mercury allow-  
12 ances, as the case may be, a bidder’s quantity  
13 bid may not exceed the bidder’s quantity bid for  
14 such allowances in the first round of the auc-  
15 tion.

16           “(8) After the auction, the Administrator  
17 shall publish the names of winning and losing  
18 bidders, their quantities awarded, and the final  
19 prices. The Administrator shall provide the suc-  
20 cessful bidders notice of the allowances that  
21 they have purchased within thirty days after  
22 payments equaling the quantity awarded multi-  
23 plied by the corresponding final reserve price is  
24 collected by the Administrator. After the con-  
25 clusion of the auction, the Administrator shall



1 return payment to unsuccessful bidders and add  
2 any unsold allowances to the next relevant auc-  
3 tion.

4 “(9) The Administrator may specify by  
5 regulations, without notice and opportunity for  
6 comment, the following auction requirements  
7 and procedures:

8 “(A) reserve prices for sulfur dioxide  
9 allowances, nitrogen oxides allowances, and  
10 mercury allowances, as the case may be;

11 “(B) procedures for adjusting reserve  
12 prices in each round;

13 “(C) procedures limiting a bidder s  
14 bids based on his or her bids in previous  
15 rounds;

16 “(D) rationing procedures to treat tie  
17 bids;

18 “(E) procedures allowing bids at in-  
19 termediate prices between previous reserve  
20 prices and current reserve prices;

21 “(F) procedures allowing bid with-  
22 drawals before the final round of the auc-  
23 tion;

24 “(G) anti-collusion rules;



1           “(H) market share limitations on a  
2 bidder or associated bidders;

3           “(I) aggregate information made  
4 available to bidders during the auction;

5           “(J) proxy bidding or procedures for  
6 facilitating participation by small bidders;

7           “(K) levels and details of financial  
8 guarantees;

9           “(L) technical specifications for elec-  
10 tronic bidding; and

11           “(M) bidding schedules and other ad-  
12 ministrative requirements and procedures  
13 of the auction.

14       “(c) DELEGATION OR CONTRACT.—The Adminis-  
15 trator may by delegation or contract provide for the con-  
16 duct of auctions under the Administrator’s supervision by  
17 other departments or agencies of the United States Gov-  
18 ernment or by nongovernmental agencies, groups, or orga-  
19 nizations.

20       “(d) PROCEEDS.—The proceeds from any auction  
21 conducted under this title shall be deposited in the United  
22 States Treasury.



1 **“SEC. 410. EVALUATION OF LIMITATIONS ON TOTAL SUL-**  
2 **FUR DIOXIDE, NITROGEN OXIDES, AND MER-**  
3 **CURY EMISSIONS THAT START IN 2018.**

4 “(a) EVALUATION.—(1) The Administrator, in con-  
5 sultation with the Secretary of Energy, shall study wheth-  
6 er the limitations on the total annual amounts of allow-  
7 ances available starting in 2018 for sulfur dioxide under  
8 section 423, nitrogen oxides under section 453, and mer-  
9 cury under section 473 should be adjusted.

10 “(2) In conducting the study, the Administrator shall  
11 include the following analyses and evaluations concerning  
12 the pollutants under paragraph (1) of subsection (a)(1):

13 “(A) An evaluation of the need for further  
14 emission reductions from affected EGUs under sub-  
15 part 2 of part B, subpart 2 of part C, or part D and  
16 other sources to attain or maintain the national am-  
17 bient air quality standards.

18 “(B) A benefit-cost analysis to evaluate whether  
19 the benefits of the limitations on the total annual  
20 amounts of allowances available starting in 2018  
21 justify the costs and whether adjusting any of the  
22 limitations would provide additional benefits which  
23 justify the costs of such adjustment, taking into ac-  
24 count both quantifiable and non-quantifiable factors.

25 “(C) The marginal cost effectiveness of reduc-  
26 ing emissions for each pollutant.





1           “(D) The merits of allowing trading between ni-  
2           trogen oxides emissions and sulfur dioxide emissions.

3           “(E) An evaluation of the relative marginal cost  
4           effectiveness of reducing sulfur dioxide and nitrogen  
5           oxide emissions from affected EGUs under subpart  
6           2 of part B and subpart 2 of part C, as compared  
7           to the marginal cost effectiveness of controls on  
8           other sources of sulfur dioxide, nitrogen oxides and  
9           other pollutants that can be controlled to attain or  
10          maintain national ambient air quality standards.

11          “(F) An evaluation of the feasibility of attain-  
12          ing the limitations on the total annual amounts of  
13          allowances available starting in 2018 given the avail-  
14          able control technologies and the ability to install  
15          control technologies by 2018, and the feasibility of  
16          attaining alternative limitations on the total annual  
17          amounts of allowances available starting in 2018  
18          under paragraph (1) of subsection (a) for each pol-  
19          lutant, including the ability to achieve alternative  
20          limitations given the available control technologies,  
21          and the feasibility of installing the control tech-  
22          nologies needed to meet the alternative limitation by  
23          2018.

24          “(G) An assessment of the results of the most  
25          current research and development regarding tech-



1 nologies and strategies to reduce the emissions of  
2 one or more of these pollutants from affected EGUs  
3 under subpart 2 of part B, subpart 2 of part C, or  
4 part D, as applicable and the results of the most  
5 current research and development regarding tech-  
6 nologies for other sources of the same pollutants.

7 “(H) The projected impact of the limitations on  
8 the total annual amounts of allowances available  
9 starting in 2018 and the projected impact of adjust-  
10 ing any of the limitations on the total annual  
11 amounts of allowances available starting in 2018  
12 under paragraph (1) of subsection (a) on the safety  
13 and reliability of affected EGUs under subpart 2 of  
14 part B, subpart 2 of part C, or part D and on fuel  
15 diversity within the power generation section.

16 “(I) An assessment of the best available and  
17 most current scientific information relating to emis-  
18 sions, transformation and deposition of these pollut-  
19 ants, including studies evaluating—

20 “(i) the role of emissions of affected EGUs  
21 under subpart 2 of part B, subpart 2 of part  
22 C, or part D in the atmospheric formation of  
23 pollutants for which national ambient air qual-  
24 ity standards exist;



1           “(ii) the transformation, transport, and  
2           fate of these pollutants in the atmosphere,  
3           other media, and biota;

4           “(iii) the extent to which effective control  
5           programs in other countries would prevent air  
6           pollution generated in those countries from con-  
7           tributing to nonattainment, or interfering with  
8           the maintenance of any national ambient air  
9           quality standards;

10           “(iv) whether the limitations starting in  
11           2010 or 2018 will result in an increase in the  
12           level of any other pollutant and the level of any  
13           such increase; and

14           “(v) speciated monitoring data for particu-  
15           late matter and the effect of various compo-  
16           nents of fine particulate matter on public  
17           health.

18           “(J) An assessment of the best available and  
19           most current scientific information relating to emis-  
20           sions, transformation and deposition of mercury, in-  
21           cluding studies evaluating—

22           “(i) known and potential human health  
23           and environmental effects of mercury;



1           “(ii) whether emissions of mercury from  
2 affected EGUs under part D contribute signifi-  
3 cantly to elevated levels of mercury in fish;

4           “(iii) human population exposure to mer-  
5 cury; and

6           “(iv) the relative marginal cost effective-  
7 ness of reducing mercury emissions from af-  
8 fected EGUs under part D, as compared to the  
9 marginal cost effectiveness of controls on other  
10 sources of mercury.

11          “(K) A comparison of the extent to which sources of  
12 mercury not located in the United States contributed to  
13 adverse affects on terrestrial or aquatic systems as op-  
14 posed to the contribution from affected EGUs under part  
15 D, and the extent to which effective mercury control pro-  
16 grams in other countries could minimize such impairment.

17           “(L) An analysis of the effectiveness and  
18 efficiency of the sulfur dioxide allowance pro-  
19 gram under subpart 2 of part B, the nitrogen  
20 oxides allowance program under subpart 2 of  
21 part C, and the mercury allowance program  
22 under part D.

23          “(3) As part of the study, the Administrator shall  
24 take into account the best available information pursuant



1 to the review of the air quality criteria for particulate mat-  
2 ter under section 108.

3 “(b) PEER REVIEW PROCEDURES.—(1) The draft re-  
4 sults of the study under subsection (a), including the ben-  
5 efit-cost analysis, the risk assessment, technological infor-  
6 mation and related technical documents shall be subject  
7 to an independent and external peer review in accordance  
8 with this section. Any documents that are to be considered  
9 by the Administrator in the study shall be independently  
10 peer reviewed no later than July 1, 2008. The peer review  
11 required under this section shall not be subject to the Fed-  
12 eral Advisory Committee Act (5 U.S.C. App.).

13 “(2) The Administrator shall conduct the peer review  
14 in an open manner. Such peer review shall—

15 “(A) be conducted through a formal panel that  
16 is broadly representative and involves qualified spe-  
17 cialists who—

18 “(i) are selected primarily on the basis of  
19 their technical expertise relevant to the analyses  
20 required under this section;

21 “(ii) disclose to the agency prior technical  
22 or policy positions they have taken on the issues  
23 under consideration; and



1           “(iii) disclose to the agency their sources  
2           of personal and institutional funding from the  
3           private or public sectors;

4           “(B) contain a balanced presentation of all con-  
5           siderations, including minority reports;

6           “(C) provide adequate protections for confiden-  
7           tial business information and trade secrets, including  
8           requiring panel members or participants to enter  
9           into confidentiality agreements;

10          “(D) afford an opportunity for public comment;  
11          and

12          “(E) be complete by no later than January 1,  
13          2009.

14          “(2) The Administrator shall respond, in writing, to  
15          all significant peer review and public comments and certify  
16          that—

17                 “(A) each peer review participant has the ex-  
18                 pertise and independence required under this sec-  
19                 tion; and

20                 “(B) the agency has adequately responded to  
21                 the peer review comments as required under this  
22                 section.

23          “(c) RECOMMENDATION TO CONGRESS.—The Ad-  
24          ministrators, in consultation with the Secretary of Energy,  
25          should submit to Congress no later than July 1, 2009,



1 a recommendation whether to revise the limitations on the  
2 total annual amounts of allowances available starting in  
3 2018 under paragraph (1) of subsection (a). The rec-  
4 ommendation shall include the final results of the study  
5 under subsections (a) and (b) and shall address the factors  
6 described in paragraph (2) of subsection (a). The Admin-  
7 istrator may submit separate recommendations addressing  
8 sulfur dioxide, nitrogen oxides, or mercury at any time  
9 after the study has been completed under paragraph (2)  
10 of subsection (a) and the peer review process has been  
11 completed under subsection (b).

12 **“PART B—SULFUR DIOXIDE EMISSION**

13 **REDUCTIONS**

14 **“Subpart 1—Acid Rain Program**

15 **“SEC. 410. EVALUATION OF LIMITATIONS ON TOTAL SUL-**  
16 **FUR DIOXIDE, NITROGEN OXIDES, AND MER-**  
17 **CURY EMISSIONS THAT START IN 2018.**

18 “(a) Evaluation.—(1) The Administrator, in con-  
19 sultation with the Secretary of Energy, shall study wheth-  
20 er the limitations on the total annual amounts of allow-  
21 ances available starting in 2018 for sulfur dioxide under  
22 section 423, nitrogen oxides under section 453, and mer-  
23 cury under section 473 should be adjusted.



1           “(2) In conducting the study, the Administrator shall  
2 include the following analyses and evaluations concerning  
3 the pollutants under paragraph (a)(1),

4           “(A) an evaluation of the need for further emis-  
5 sion reductions from affected EGUs under subpart  
6 2 of part B, subpart 2 of part C, or part D and  
7 other sources to attain or maintain the national am-  
8 bient air quality standards;

9           “(B) A benefit-cost analysis to evaluate whether  
10 the benefits of the limitations on the total annual  
11 amounts of allowances available starting in 2018  
12 justify the costs and whether adjusting any of the  
13 limitations would provide additional benefits which  
14 justify the costs of such adjustment, taking into ac-  
15 count both quantifiable and non-quantifiable factors;

16           “(C) the marginal cost effectiveness of reducing  
17 emissions for each pollutant;

18           “(D) the merits of allowing trading between  
19 NO<sub>x</sub> and SO<sub>2</sub> limitations;

20           “(E) an evaluation of the relative marginal cost  
21 effectiveness of reducing sulfur dioxide and nitrogen  
22 oxide emissions from affected EGUs under sub-part  
23 2 of part B and subpart 2 of part C, as compared  
24 to the marginal cost effectiveness of controls on  
25 other sources of sulfur dioxide, nitrogen oxides and





1 other pollutants that can be controlled to attain or  
2 maintain national ambient air quality standard;

3 “(F) an evaluation of the feasibility of attaining  
4 the limitations on the total annual amounts of allow-  
5 ances available starting in 2018 given the available  
6 control technologies and the ability to install control  
7 technologies by 2018, and the feasibility of attaining  
8 alternative limitations on the total annual amounts  
9 of allowances available starting in 2018 under para-  
10 graph (a)(1) for each pollutant, including the ability  
11 to achieve alternative limitations given the available  
12 control technologies, and the feasibility of installing  
13 the control technologies needed to meet the alter-  
14 native limitation by 2018;

15 “(G) an assessment of the results of the most  
16 current research and development regarding tech-  
17 nologies and strategies to reduce the emissions of  
18 one or more of these pollutants from affected EGUs  
19 under subpart 2 of part B, subpart 2 of part C, or  
20 part D, as applicable and the results of the most  
21 current research and development regarding tech-  
22 nologies for other sources of the same pollutants;

23 “(H) the projected impact of the limitations on  
24 the total annual amounts of allowances available  
25 starting in 2018 and the projected impact of adjust-



1 ing any of the limitations on the total annual  
2 amounts of allowances available starting in 2018  
3 under paragraph (a)(1) on the safety and reliability  
4 of affected EGUs under subpart 2 of part B, sub-  
5 part 2 of part C, or part D and on fuel diversity  
6 within the power generation section;

7 “(I) an assessment of the best available and  
8 most current scientific information relating to emis-  
9 sions, transformation and deposition of these pollut-  
10 ants, including studies evaluating—

11 “(i) the role of emissions of affected EGUs  
12 under subpart 2 of part B, subpart 2 of part  
13 C, or part D in the atmospheric formation of  
14 pollutants for which national ambient air qual-  
15 ity standards exist;

16 “(ii) the transformation, transport, and  
17 fate of these pollutants in the atmosphere,  
18 other media, and biota;

19 “(iii) the extent to which effective control  
20 programs in other countries would prevent air  
21 pollution generated in those countries from con-  
22 tributing to nonattainment, or interfering with  
23 the maintenance of any national ambient air  
24 quality standards;



1           “(iv) whether the limitations starting in  
2           2010 or 2018 will result in an increase in the  
3           level of any other pollutant and the level of any  
4           such increase; and

5           “(v) speciated monitoring data for particu-  
6           late matter and the effect of various elements  
7           of fine particulate matter on public health;

8           “(J) an assessment of the best available and  
9           most current scientific information relating to emis-  
10          sions, transformation and deposition of mercury, in-  
11          cluding studies evaluating—

12           “(i) known and potential human health  
13           and environmental effects of mercury;

14           “(ii) whether emissions of mercury from  
15           affected EGUs under part D contribute signifi-  
16           cantly to elevated levels of mercury in fish;

17           “(iii) human population exposure to mer-  
18           cury; and

19           “(iv) the relative marginal cost effective-  
20           ness of reducing mercury emissions from af-  
21           fected EGUs under part D, as compared to the  
22           marginal cost effectiveness of controls on other  
23           sources of mercury;

24           “(K) a comparison of the extent to which  
25           sources of mercury not located in the United States



1 contributed to adverse affects on terrestrial or  
2 aquatic systems as opposed to the contribution from  
3 affected EGUs under part D, and the extent to  
4 which effective mercury control programs in other  
5 countries could minimize such impairment; and

6 “(L) an analysis of the effectiveness and effi-  
7 ciency of the sulfur dioxide allowance program under  
8 subpart 2 of part B, the nitrogen oxides allowance  
9 program under subpart 2 of part C, and the mer-  
10 cury allowance program under part D.

11 “(3) As part of the study, the Administrator shall  
12 take into account the best available information pursuant  
13 to the review of the air quality criteria for particulate mat-  
14 ter under section 108.

15 “(b) PEER REVIEW PROCEDURES.—(1) The draft re-  
16 sults of the study under subsection (a) shall be subject  
17 to an independent and external peer review in accordance  
18 with this section. Any documents that are to be considered  
19 by the Administrator in the study shall be independently  
20 peer reviewed no later than July 1, 2008. The peer review  
21 required under this section shall not be subject to the Fed-  
22 eral Advisory Committee Act (5 U.S.C. App.).

23 “(2) The Administrator shall conduct the peer review  
24 in an open and rigorous manner. Such peer review shall—



1           “(A) be conducted through a formal panel  
2           that is broadly representative of the relevant  
3           scientific and technical views and involves quali-  
4           fied specialists who—

5                   “(i) are selected primarily on the basis  
6                   of their technical expertise relevant to the  
7                   analyses required under this section;

8                   “(iii) disclose to the agency prior tech-  
9                   nical or policy positions they have taken on  
10                  the issues under consideration; and

11                  “(iv) disclose to the agency their  
12                  sources of personal and institutional fund-  
13                  ing from the private or public sectors;

14                  “(B) contain a balanced presentation of all  
15                  considerations, including minority reports;

16                  “(C) provide adequate protections for con-  
17                  fidential business information and trade secrets,  
18                  including requiring panel members or partici-  
19                  pants to enter into confidentiality agreements;

20                  “(D) afford an opportunity for public com-  
21                  ment; and

22                  “(E) be complete by no later than January  
23                  1, 2009.



1           “(2) The Administrator shall respond, in writ-  
2           ing, to all significant peer review and public com-  
3           ments; and

4           “(3) The Administrator shall certify that—

5                   “(A) each peer review participant has the  
6                   expertise an independence required under this  
7                   section; and

8                   “(B) the agency has adequately responded  
9                   to the peer review comments as required under  
10                  this section.

11          “(c) RECOMMENDATION TO CONGRESS.—The Admin-  
12          istrator, in consultation with the Secretary of Energy,  
13          shall submit to Congress no later than July 1, 2009, a  
14          recommendation whether to revise the limitations on the  
15          total annual amounts of allowances available starting in  
16          2018 under paragraph (a)(1). The recommendation shall  
17          include the final results of the study under subsections (a)  
18          and (b) and shall address the factors described in para-  
19          graph (2) of subsection (a). The Administrator may sub-  
20          mit separate recommendations addressing sulfur dioxide,  
21          nitrogen oxides, or mercury at any time after the study  
22          has been completed under paragraph (2) of subsection (a)  
23          and the peer review process has been completed under sub-  
24          section (b).



1 **“SEC. 411. DEFINITIONS.**

2 “For purposes of this subpart and subpart 1 of part  
3 B:

4 “(1) The term ‘actual 1985 emission rate’, for  
5 electric utility units means the annual sulfur dioxide  
6 or nitrogen oxides emission rate in pounds per mil-  
7 lion Btu as reported in the NAPAP Emissions In-  
8 ventory, Version, 2 National Utility reference File.  
9 For nonutility units, the term ‘actual 1985 emission  
10 rate’ means the annual sulfur dioxide or nitrogen ox-  
11 ides emission rate in pounds per million Btu as re-  
12 ported in the NAPAP Emission Inventory, Version  
13 2.

14 “(2) The term ‘allowable 1985 emissions rate’  
15 means a federally enforceable emissions limitation  
16 for sulfur dioxide or oxides of nitrogen, applicable to  
17 the unit in 1985 or the limitation applicable in such  
18 other subsequent year as determined by the Admin-  
19 istrator if such a limitation for 1985 does not exist.  
20 Where the emissions limitation for a unit is not ex-  
21 pressed in pounds of emissions per million Btu, or  
22 the averaging period of that emissions limitation is  
23 not expressed on an annual basis, the Administrator  
24 shall calculate the annual equivalent of that emis-  
25 sions.



1           “(3) The term ‘alternative method of compli-  
2           ance’ means a method of compliance in accordance  
3           with one or more of the following authorities—

4                   “(A) a substitution plan submitted and ap-  
5                   proved in accordance with subsections 413(b)  
6                   and (c); or

7                   “(B) a Phase I extension plan approved by  
8                   the Administrator under section 413(d), using  
9                   qualifying phase I technology as determined by  
10                  the Administrator in accordance with that sec-  
11                  tion.

12           “(4) The term ‘baseline’ means the annual  
13           quantity of fossil fuel consumed by an affected unit,  
14           measured in millions of British Thermal Units  
15           (‘mmBtu’s’), calculated as follows:

16                   “(A) For each utility unit that was in com-  
17                   mercial operation prior to January 1, 1985, the  
18                   baseline shall be the annual average quantity of  
19                   mmBtu’s consumed in fuel during calendar  
20                   years 1985, 1986, and 1987, as recorded by the  
21                   Department of Energy pursuant to Form 767.  
22                   For any utility unit for which such form was  
23                   not filed, the baseline shall be the level specified  
24                   for such unit in the 1985 National Acid Pre-  
25                   cipitation Assessment Program (NAPAP)





1 Emissions Inventory, Version 2, National Util-  
2 ity Reference File (NURF) or in a corrected  
3 data base as established by the Administrator  
4 pursuant to paragraph (3). For non-utility  
5 units, the baseline in the NAPAP Emissions In-  
6 ventory, Version 2. The Administrator, in the  
7 Administrator's sole discretion, may exclude pe-  
8 riods during which a unit is shutdown for a  
9 continuous period of 4 calendar months or  
10 longer, and make appropriate adjustments  
11 under this paragraph. Upon petition of the  
12 owner or operator of any unit, the Adminis-  
13 trator may make appropriate baseline adjust-  
14 ments for accidents that caused prolonged out-  
15 ages.

16 “(B) For any other nonutility unit that is  
17 not included in the NAPAP Emissions Inven-  
18 tory, Version 2, or a corrected data base as es-  
19 tablished by the Administrator pursuant to  
20 paragraph (3), the baseline shall be the annual  
21 average quantity, in mmBtu consumed in fuel  
22 by that unit, as calculated pursuant to a meth-  
23 od which the Administrator shall prescribe by  
24 regulation to be promulgated not later than 18  
25 months after November 15, 1990.



1           “(C) The Administrator shall, upon appli-  
2 cation or on his own motion, by December 31,  
3 1991, supplement data needed in support of  
4 this subpart and correct any factual errors in  
5 data from which affected Phase II units’ base-  
6 lines or actual 1985 emission rates have been  
7 calculated. Corrected data shall be used for pur-  
8 poses of issuing allowances under this subpart.  
9 Such corrections shall not be subject to judicial  
10 review, nor shall the failure of the Adminis-  
11 trator to correct an alleged factual error in such  
12 reports be subject to judicial review.

13           “(5) The term ‘basic Phase II allowance alloca-  
14 tions’ means:

15           “(A) For calendar years 2000 through  
16 2009 inclusive, allocations of allowances made  
17 by the Administrator pursuant to section 412  
18 and subsections (b)(1), (3), and (4); (c)(1), (2),  
19 (3), and (5); (d)(1), (2), (4), and (5); (e); (f);  
20 (g) (1), (2), (3), (4), and (5); (h)(1); (i) and (j)  
21 of section 414.

22           “(B) For each calendar year beginning in  
23 2010, allocations of allowances made by the Ad-  
24 ministrator pursuant to section 412 and sub-  
25 sections (b)(1), (3), and (4); (c)(1), (2), (3),



1 and (5); (d)(1), (2), (4) and (5); (e); (f); (g)(1),  
2 (2), (3), (4), and (5); (h)(1) and (3); (i) and (j)  
3 of section 414.

4 “(6) The term ‘capacity factor’ means the ratio  
5 between the actual electric output from a unit and  
6 the potential electric output from that unit.

7 “(7) The term ‘commenced’ as applied to con-  
8 struction of any new electric utility unit means that  
9 an owner or operator has undertaken a continuous  
10 program of construction or that an owner or oper-  
11 ator has entered into a contractual obligation to un-  
12 dertake and complete, within a reasonable time, a  
13 continuous program of construction.

14 “(8) The term ‘commenced commercial oper-  
15 ation’ means to have begun to generate electricity  
16 for sale.

17 “(9) The term ‘construction’ means fabrication,  
18 erection, or installation of an affected unit.

19 “(10) The term ‘existing unit’ means a unit (in-  
20 cluding units subject to section 111) that com-  
21 menced commercial operation before November 15,  
22 1990. Any unit that commenced commercial oper-  
23 ation before November 15, 1990 which is modified,  
24 reconstructed, or repowered after November 15,  
25 1990 shall continue to be an existing unit for the



1 purposes of this subpart. For the purposes of this  
2 subpart, existing units shall not include simple com-  
3 bustion turbines, or units which serve a generator  
4 with a nameplate capacity of 25 MWe or less.

5 “(11) The term ‘independent power producer’  
6 means any person who owns or operates, in whole or  
7 in part, one or more new independent power produc-  
8 tion facilities.

9 “(12) The term ‘new independent power pro-  
10 duction facility’ means a facility that—

11 “(A) is used for the generation of electric  
12 energy, 80 percent or more of which is sold at  
13 wholesale;

14 “(B) in nonrecourse project-financed (as  
15 such term is defined by the Secretary of Energy  
16 within 3 months of the date of the enactment  
17 of the Clean Air Act Amendments of 1990);  
18 and

19 “(C) is a new unit required to hold allow-  
20 ances under this subpart.

21 “(13) The term ‘industrial source’ means a unit  
22 that does not serve a generator that produces elec-  
23 tricity, a ‘non-utility unit’ as defined in this section,  
24 or a process source.



1           “(14) The term ‘life-of-the-unit, firm power  
2           contractual arrangement’ means a unit participation  
3           power sales agreement under which a utility or in-  
4           dustrial customer reserves, or is entitled to receive,  
5           a specified amount or percentage of capacity and as-  
6           sociated energy generated by a specified generating  
7           unit (or units) and pays its proportional amount of  
8           such unit’s total costs, pursuant to a contract  
9           either—

10                   “(A) for the life of the unit;

11                   “(B) for a cumulative term of no less than  
12                   30 years, including contracts that permit an  
13                   election for early termination; or

14                   “(C) for a period equal to or greater than  
15                   25 years or 70 percent of the economic useful  
16                   life of the unit determined as of the time the  
17                   unit was built, with option rights to purchase or  
18                   release some portion of the capacity and associ-  
19                   ated energy generated by the unit (or units) at  
20                   the end of the period.

21           “(15) The term ‘new unit’ means a unit that  
22           commences commercial operation on or after Novem-  
23           ber 15, 1990.

24           “(16) The term ‘nonutility unit’ means a unit  
25           other than a utility unit.



1           “(17) The term ‘Phase II bonus allowance allo-  
2           cations’ means, for calendar year 2000 through  
3           2009, inclusive, and only for such years, allocations  
4           made by the Administrator pursuant to section 412,  
5           subsections (a)(2), (b)(2), (c)(4), (d)(3) (except as  
6           otherwise provided therein), and (h)(2) of section  
7           414, and section 415.

8           “(18) The term ‘qualifying phase I technology’  
9           means a technological system of continuous emission  
10          reduction which achieves a 90 percent reduction in  
11          emissions of sulfur dioxide from the emissions that  
12          would have resulted from the use of fuels which were  
13          not subject to treatment prior to combustion.

14          “(19) The term ‘repowering’ means replacement  
15          of an existing coal-fired boiler with one of the fol-  
16          lowing clean coal technologies: atmospheric or pres-  
17          surized fluidized bed combustion, integrated gasifi-  
18          cation combined cycle, magneto-hydrodynamics, di-  
19          rect and indirect coal-fired turbines, integrated gas-  
20          ification fuel cells, or as determined by the Adminis-  
21          trator, in consultation with the Secretary of Energy,  
22          a derivative of one or more of these technologies,  
23          and any other technology capable of controlling mul-  
24          tiple combustion emissions simultaneously with im-  
25          proved boiler or generation efficiency and with sig-



1 significantly greater waste reduction relative to the per-  
2 formance of technology in widespread commercial  
3 use as of November 15, 1990.

4 “(20) The term ‘reserve’ means any bank of al-  
5 lowances established by the Administrator under this  
6 subpart.

7 “(21)(A) The term ‘utility unit’ means—

8 “(i) a unit that serves a generator in  
9 any State that produces electricity for sale,  
10 or

11 “(ii) a unit that, during 1985, served  
12 a generator in any State that produced  
13 electricity for sale.

14 “(B) Notwithstanding subparagraph (A), a  
15 unit described in subparagraph (A) that—

16 “(i) was in commercial operations  
17 during 1985, but

18 “(ii) did not during 1985, serve a gen-  
19 erator in any State that produced elec-  
20 tricity for sale shall not be a utility unit  
21 for purposes of this subpart.

22 “(C) A unit that cogenerates steam and  
23 electricity is not a ‘utility unit’ for purposes of  
24 this subpart unless the unit is constructed for  
25 the purpose of supplying, or commences con-



1           struction after November 15, 1990 and supplies  
2           more than one-third of its potential electric out-  
3           put capacity of more than 25 megawatts elec-  
4           trical output to any utility power distribution  
5           system for sale.

6   **“SEC. 412. ALLOWANCE ALLOCATION.**

7           “(a) Except as provided in sections 414(a)(2),  
8   415(a)(3), and 416, beginning January 1, 2000, the Ad-  
9   ministrators shall not allocate annual allowances of sulfur di-  
10   oxide from utility units in excess of 8.90 million tons ex-  
11   cept that the Administrator shall not take into account  
12   unused allowances carried forward by owners and opera-  
13   tors of affected units or by other persons holding such al-  
14   lowances, following the year for which they were allocated.  
15   If necessary to meeting the restrictions imposed in the pre-  
16   ceding sentence, the Administrator shall reduce, pro rata,  
17   the basic Phase II allowance allocations for each unit sub-  
18   ject to the requirements of section 414. Subject to the pro-  
19   visions of section 417, the Administrator shall allocate al-  
20   lowances for each affected unit at an affected source an-  
21   nually, as provided in paragraphs (2) and (3) and section  
22   404. Except as provided in sections 416, the removal of  
23   an existing affected unit or source from commercial oper-  
24   ation at any time after November 15, 1990 (whether be-  
25   fore or after January 1, 1995, or January 1, 2000), shall





1 not terminate or otherwise affect the allocation of allow-  
2 ances pursuant to section 413 or 414 to which the unit  
3 is entitled. Prior to June 1, 1998, the Administrator shall  
4 publish a revised final statement of allowance allocations,  
5 subject to the provisions of section 414(a)(2).

6 “(b) NEW UTILITY UNITS.—

7 “(1) After January 1, 2000 and through De-  
8 cember 31, 2007, it shall be unlawful for a new util-  
9 ity unit to emit an annual tonnage of sulfur dioxide  
10 in excess of the number of allowances to emit held  
11 for the unit by the unit’s owner or operator.

12 “(2) Starting January 1, 2008, a new utility  
13 unit shall be subject to the prohibition in subsection  
14 (c)(3).

15 “(3) New utility units shall not be eligible for  
16 an allocation of sulfur dioxide allowances under sub-  
17 section (a)(1), unless the unit is subject to the provi-  
18 sions of subsection (g)(2) or (3) of section 414. New  
19 utility units may obtain allowances from any person,  
20 in accordance with this title. The owner or operator  
21 of any new utility unit in violation of subsection  
22 (b)(1) or subsection(c)(3) shall be liable for fulfilling  
23 the obligations specified in section 406.

24 “(c) PROHIBITIONS.—



1           “(1) It shall be unlawful for any person to hold,  
2           use, or transfer any allowance allocated under this  
3           subpart, except in accordance with regulations pro-  
4           mulgated by the Administrator.

5           “(2) For any year 1995 through 2007, it shall  
6           be unlawful for any affected unit to emit sulfur diox-  
7           ide in excess of the number of allowances held for  
8           that unit for that year by the owner or operator of  
9           the unit.

10          “(3) Starting January 1, 2008, it shall be un-  
11          lawful for the affected units at a source to emit a  
12          total amount of sulfur dioxide during the year in ex-  
13          cess of the number of allowances held for the source  
14          for that year by the owner or operator of the source.

15          “(4) Upon the allocation of allowances under  
16          this subpart, the prohibition in paragraphs (2) and  
17          (3) shall supersede any other emission limitation ap-  
18          plicable under this subpart to the units for which  
19          such allowances are allocated.

20          “(d) In order to insure electric reliability, regulations  
21          establishing a system for issuing, recording, and tracking  
22          allowances under section 403(b) and this subpart shall not  
23          prohibit or affect temporary increases and decreases in  
24          emissions within utility systems, power pools, or utilities  
25          entering into allowance pool agreements, that result from



1 their operations, including emergencies and central dis-  
2 patch, and such temporary emissions increases and de-  
3 creases shall not require transfer of allowances among  
4 units nor shall it require recording. The owners or opera-  
5 tors of such units shall act through a designated rep-  
6 resentative. Notwithstanding the preceding sentence, the  
7 total tonnage of emissions in any calendar year (calculated  
8 at the end thereof) from all units in such a utility system,  
9 power pool, or allowance pool agreements shall not exceed  
10 the total allowances for such units for the calendar year  
11 concerned, including for calendar years after 2007, allow-  
12 ances held for such units by the owner or operator of the  
13 sources where the units are located.

14 “(e) Where there are multiple holders of a legal or  
15 equitable title to, or a leasehold interest in, an affected  
16 unit, or where a utility or industrial customer purchases  
17 power from an affected unit (or units) under life-of-the-  
18 unit, firm power contractual arrangements, the certificate  
19 of representation required under section 404(f) shall  
20 state—

21 “(1) that allowances under this subpart and the  
22 proceeds of transactions involving such allowances  
23 will be deemed to be held or distributed in propor-  
24 tion to each holder’s legal, equitable, leasehold, or  
25 contractual reservation or entitlement, or



1           “(2) if such multiple holders have expressly pro-  
2           vided for a different distribution of allowances by  
3           contract, that allowances under this subpart and the  
4           proceeds of transactions involving such allowances  
5           will be deemed to be held or distributed in accord-  
6           ance with the contract.

7   A passive lessor, or a person who has an equitable interest  
8   through such lessor, whose rental payments are not based,  
9   either directly or indirectly, upon the revenues or income  
10  from the affected unit shall not be deemed to be a holder  
11  of a legal, equitable, leasehold, or contractual interest for  
12  the purpose of holding or distributing allowances as pro-  
13  vided in this subsection, during either the term of such  
14  leasehold or thereafter, unless expressly provided for in the  
15  leasehold agreement. Except as otherwise provided in this  
16  subsection, where all legal or equitable title to or interest  
17  in an affected unit is held by a single person, the certifi-  
18  cation shall state that all allowances under this subpart  
19  received by the unit are deemed to be held for that person.

20   **“SEC. 413. PHASE I SULFUR DIOXIDE REQUIREMENTS.**

21           “(a) EMISSION LIMITATIONS.—

22           “(1) After January 1, 1995, each source that  
23           includes one or more affected units listed in table A  
24           is an affected source under this section. After Janu-  
25           ary 1, 1995, it shall be unlawful for any affected



1 unit (other than an eligible phase I unit under sec-  
2 tion 413(d)(2)) to emit sulfur dioxide in excess of  
3 the tonnage limitation stated as a total number of  
4 allowances in table A for phase I, unless—

5 “(A) the emissions reduction requirements  
6 applicable to such unit have been achieved pur-  
7 suant to subsection (b) or (d), or

8 “(B) the owner or operator of such unit  
9 holds allowances to emit not less than the unit’s  
10 total annual emissions, except that, after Janu-  
11 ary 1, 2000, the emissions limitations estab-  
12 lished in this section shall be superseded by  
13 those established in section 414. The owner or  
14 operator of any unit in violation of this section  
15 be fully liable for such violation including, but  
16 not limited to, liability for fulfilling the obliga-  
17 tions specified in section 406.

18 “(2) Not later than December 31, 1991, the  
19 Administrator shall determine the total tonnage of  
20 reductions in the emissions of sulfur dioxide from all  
21 utility units in calendar year 1995 that will occur as  
22 a result of compliance with the emissions limitation  
23 requirements of this section, and shall establish a re-  
24 serve of allowances equal in amount to the number  
25 of tons determined thereby not to exceed a total of



1 3.50 million tons. In making such a determination,  
2 the Administrator shall compute for each unit sub-  
3 ject to the emissions limitation requirements of this  
4 section the difference between—

5 “(A) the product of its baseline multiplied  
6 by the lesser of each unit’s allowable 1985  
7 emissions rate and its actual 1985 emissions  
8 rate, divided by 2,000, and

9 “(B) the product of each unit’s baseline  
10 multiplied by 2.50 lbs/mmBtu divided by 2,000,  
11 and sum the computations. The Administrator  
12 shall adjust the foregoing calculation to reflect  
13 projected calendar year 1995 utilization of the  
14 units subject to the emissions limitations of this  
15 subpart that the Administrator finds would  
16 have occurred in the absence of the imposition  
17 of such requirements. Pursuant to subsection  
18 (d), the Administrator shall allocate allowances  
19 from the reserve established hereunder until the  
20 earlier of such time as all such allowances in  
21 the reserve are allocated or December 31, 1999.

22 “(3) In addition to allowances allocated pursu-  
23 ant to paragraph (1), in each calendar year begin-  
24 ning in 1995 and ending in 1999, inclusive, the Ad-  
25 ministrator shall allocate for each unit on Table A



1 that is located in the States of Illinois, Indiana, or  
2 Ohio (other than units at Kyger Creek, Clifty Creek  
3 and Joppa Steam), allowances in an amount equal  
4 to 200,000 multiplied by the unit's pro rata share  
5 of the total number of allowances allocated for all  
6 units on Table A in the 3 States (other than units  
7 at Kyger Creek, Clifty Creek, and Joppa Steam)  
8 pursuant to paragraph (1). Such allowances shall be  
9 excluded from the calculation of the reserve under  
10 paragraph (2).

11 “(b) SUBSTITUTIONS.—The owner or operator of an  
12 affected unit under subsection (a) may include in its sec-  
13 tion 404 permit application and proposed compliance  
14 plan a proposal to reassign, in whole or in part, the af-  
15 fected unit's sulfur dioxide reduction requirements to any  
16 other unit(s) under the control of such owner or operator.  
17 Such proposal shall specify—

18 “(1) the designation of the substitute unit or  
19 units to which any part of the reduction obligations  
20 of subsection (a) shall be required, in addition to, or  
21 in lieu of, any original affected units designated  
22 under such subsection;

23 “(2) the original affected unit's baseline, the ac-  
24 tual and allowable 1985 emissions rate for sulfur di-



1 oxide, and the authorized annual allowance alloca-  
2 tion stated in table A;

3 “(3) calculation of the annual average tonnage  
4 for calendar years 1985, 1986, and 1987, emitted by  
5 the substitute unit or units, based on the baseline  
6 for each unit, as defined in section 411(4), multi-  
7 plied by the lesser of the unit’s actual or allowable  
8 1985 emissions rate;

9 “(4) the emissions rates and tonnage limita-  
10 tions that would be applicable to the original and  
11 substitute affected units under the substitution pro-  
12 posal;

13 “(5) documentation, to the satisfaction of the  
14 Administrator, that the reassigned tonnage limits  
15 will, in total, achieve the same or greater emissions  
16 reduction than would have been achieved by the  
17 original affected unit and the substitute unit or  
18 units without such substitution; and

19 “(6) such other information as the Adminis-  
20 trator may require.

21 “(c) ADMINISTRATOR’S ACTION ON SUBSTITUTION  
22 PROPOSALS.—

23 “(1) The Administrator shall take final action  
24 on such substitution proposal in accordance with  
25 section 404(c) if the substitution proposal fulfills the





1 requirements of this subsection. The Administrator  
2 may approve a substitution proposal in whole or in  
3 part and with such modifications or conditions as  
4 may be consistent with the orderly functioning of the  
5 allowance system and which will ensure the emis-  
6 sions reductions contemplated by this title. If a pro-  
7 posal does not meet the requirements of subsection  
8 (b), the Administrator shall disapprove it. The owner  
9 or operator of a unit listed in table A shall not sub-  
10 stitute another unit or units without the prior ap-  
11 proval of the Administrator.

12 “(2) Upon approval of a substitution proposal,  
13 each substitute unit, and each source with such unit,  
14 shall be deemed affected under this title, and the  
15 Administrator shall issue a permit to the original  
16 and substitute affected source and unit in accord-  
17 ance with the approved substitution plan and section  
18 404. The Administrator shall allocate allowances for  
19 the original and substitute affected units in accord-  
20 ance with the approved substitution proposal pursu-  
21 ant to section 412. It shall be unlawful for any  
22 source or unit that is allocated allowances pursuant  
23 to this section to emit sulfur dioxide in excess of the  
24 emissions limitation provided for in the approved  
25 substitution permit and plan unless the owner or op-



1 erator of each unit governed by the permit and ap-  
2 proved substitution plan holds allowances to emit  
3 not less than the unit's total annual emissions. The  
4 owner or operator of any original or substitute af-  
5 fected unit operated in violation of this subsection  
6 shall be fully liable for such violation, including li-  
7 ability for fulfilling the obligations specified in sec-  
8 tion 406. If a substitution proposal is disapproved,  
9 the Administrator shall allocate allowances to the  
10 original affected unit or units in accordance with  
11 subsection (a).

12 “(d) ELIGIBLE PHASE I EXTENSION UNITS.—

13 “(1) The owner or operator of any affected unit  
14 subject to an emissions limitation requirement under  
15 this section may petition the Administrator in its  
16 permit application under section 404 for an exten-  
17 sion of 2 years of the deadline for meeting such re-  
18 quirement, provided that the owner or operator of  
19 any such unit holds allowances to emit not less than  
20 the unit's total annual emissions for each of the 2  
21 years of the period of extension. To qualify for such  
22 an extension, the affected unit must either employ a  
23 qualifying phase I technology, or transfer its phase  
24 I emissions reduction obligation to a unit employing  
25 a qualifying phase I technology. Such transfer shall



1 be accomplished in accordance with a compliance  
2 plan, submitted and approved under section 404,  
3 that shall govern operations at all units included in  
4 the transfer, and that specifies the emissions reduc-  
5 tion requirements imposed pursuant to this title.

6 “(2) Such extension proposal shall—

7 “(A) specify the unit or units proposed for  
8 designation as an eligible phase I extension  
9 unit;

10 “(B) provide a copy of an executed con-  
11 tract, which may be contingent upon the Ad-  
12 ministrators approving the proposal, for the de-  
13 sign engineering, and construction of the quali-  
14 fying phase I technology for the extension unit,  
15 or for the unit or units to which the extension  
16 unit’s emission reduction obligation is to be  
17 transferred;

18 “(C) specify the unit’s or units’ baseline,  
19 actual 1985 emissions rate, allowable 1985  
20 emissions rate, and projected utilization for cal-  
21 endar years 1995 through 1999;

22 “(D) require CEMS on both the eligible  
23 phase I extension unit or units and the transfer  
24 unit or units beginning no later than January  
25 1, 1995; and



1           “(E) specify the emission limitation and  
2           number of allowances expected to be necessary  
3           for annual operation after the qualifying phase  
4           I technology has been installed.

5           “(3) The Administrator shall review and take  
6           final action on each extension proposal in order of  
7           receipt, consistent with section 404, and for an ap-  
8           proved proposal shall designate the unit or units as  
9           an eligible phase I extension unit. The Administrator  
10          may approve an extension proposal in whole or in  
11          part, and with such modifications or conditions as  
12          may be necessary, consistent with the orderly func-  
13          tioning of the allowance system, and to ensure the  
14          emissions reductions contemplated by the subpart.

15          “(4) In order to determine the number of pro-  
16          posals eligible for allocations from the reserve under  
17          subsection (a)(2) and the number of the allowances  
18          remaining available after each proposal is acted  
19          upon, the Administrator shall reduce the total num-  
20          ber of allowances remaining available in the reserve  
21          by the number of allowances calculated according to  
22          subparagraph (A), (B) and (C) until either no allow-  
23          ances remain available in the reserve for further al-  
24          location or all approved proposals have been acted  
25          upon. If no allowances remain available in the re-



1       serve for further allocation before all proposals have  
2       been acted upon by the Administrator, any pending  
3       proposals shall be disapproved. The Administrator  
4       shall calculate allowances equal to—

5               “(A) the difference between the lesser of  
6               the average annual emissions in calendar years  
7               1988 and 1989 or the projected emissions ton-  
8               nage for calendar year 1995 of each eligible  
9               phase I extension unit, as designated under  
10              paragraph (3), and the product of the unit’s  
11              baseline multiplied by an emission rate of 2.50  
12              lbs/mmBtu, divided by 2,000;

13              “(B) the difference between the lesser of  
14              the average annual emissions in calendar years  
15              1988 and 1989 or the projected emissions ton-  
16              nage for calendar year 1996 of each eligible  
17              phase I extension unit, as designated under  
18              paragraph (3), and the product of the unit’s  
19              baseline multiplied by an emission rate of 2.50  
20              lbs/mmBtu, divided by 2,000; and

21              “(C) the amount by which (i) the product  
22              of each unit’s baseline multiplied by an emis-  
23              sion rate of 1.20 lbs/mmBtu, divided by 2,000,  
24              exceeds (ii) the tonnage level specified under



1           subparagraph (E) of paragraph (2) of this sub-  
2           section multiplied by a factor of 3.

3           “(5) Each eligible Phase I extension unit shall  
4           receive allowances determined under subsection  
5           (a)(1) or (c) of this section. In addition, for calendar  
6           year 1995, the Administrator shall allocate to each  
7           eligible Phase I extension unit, from the allowance  
8           reserve created pursuant to subsection (a)(2), allow-  
9           ances equal to the difference between the lesser of  
10          the average annual emissions in calendar years 1988  
11          and 1989 or its projected emission tonnage for cal-  
12          endar year 1995 and the product of the unit’s base-  
13          line multiplied by an emission rate of 2.50 lbs/  
14          mmBtu, divided by 2,000. In calendar year 1996,  
15          the Administrator shall allocate for each eligible  
16          unit, from the allowance reserve created pursuant to  
17          subsection (a)(2), allowances equal to the difference  
18          between the lesser of the average annual emissions  
19          in calendar years 1988 and 1989 or its projected  
20          emissions tonnage for calendar year 1996 and the  
21          product of the unit’s baseline multiplied by an emis-  
22          sion rate of 2.50 lbs/mmBtu, divided by 2,000. It  
23          shall be unlawful for any source or unit subject to  
24          an approved extension plan under this subsection to  
25          emit sulfur dioxide in excess of the emissions limita-



1 tions provided for in the permit and approved exten-  
2 sion plan, unless the owner or operator of each unit  
3 governed by the permit and approved plan holds al-  
4 lowances to emit not less than the unit's total an-  
5 nual emissions.

6 “(6) In addition to allowances specified in para-  
7 graph (4), the Administrator shall allocate for each  
8 eligible Phase I extension unit employing qualifying  
9 Phase I technology, for calendar years 1997, 1998,  
10 and 1999, additional allowances, from any remaining  
11 allowances in the reserve created pursuant to sub-  
12 section (a)(2), following the reduction in the reserve  
13 provided for in paragraph (4), not to exceed the  
14 amount by which (A) the product of each eligible  
15 unit's baseline times an emission rate of 1.20 lbs/  
16 mmBtu, divided by 2,000 exceeds (B) the tonnage  
17 level specified under subparagraph (E) of paragraph  
18 (2) of this subsection.

19 “(7) After January 1, 1997, in addition to any  
20 liability under this Act, including under section 406,  
21 if any eligible phase I extension unit employing  
22 qualifying phase I technology or any transfer unit  
23 under this subsection emits sulfur dioxide in excess  
24 of the annual tonnage limitation specified in the ex-  
25 tension plan, as approved in paragraph (2) of this



1 subsection, the Administrator shall, in the calendar  
2 year following such excess, deduct allowances equal  
3 to the amount of such excess from such unit's an-  
4 nual allowance allocation.

5 “(e)(1) In the case of a unit that receives authoriza-  
6 tion from the Governor of the State in which such unit  
7 is located to make reductions in the emissions of sulfur  
8 dioxide prior to calendar year 1995 and that is part of  
9 a utility system that meets the following requirements—

10 “(A) the total coal-fired generation within the  
11 utility system as a percentage of total system gen-  
12 eration decreased by more than 20 percent between  
13 January 1, 1980, and December 31, 1985; and

14 “(B) the weighted capacity factor of all coal-  
15 fired units within the utility system averaged over  
16 the period from January 1, 1985, through December  
17 31, 1987, was below 50 percent, the Administrator  
18 shall allocate allowances under this paragraph for  
19 the unit pursuant to this subsection. The Adminis-  
20 trator shall allocate allowances for a unit that is an  
21 affected unit pursuant to section 414 (but is not  
22 also an affected unit under this section) and part of  
23 a utility system that includes 1 or more affected  
24 units under section 414 for reductions in the emis-  
25 sions of sulfur dioxide made during the period





1 1995–1999 if the unit meets the requirements of  
2 this subsection and the requirements of the pre-  
3 ceding sentence, except that for the purposes of ap-  
4 plying this subsection to any such unit, the prior  
5 year concerned as specified below, shall be any year  
6 after January 1, 1995 but prior to January 1, 2000.

7 “(2) In the case of an affected unit under this section  
8 described in subparagraph (A), the allowances allocated  
9 under this subsection for early reductions in any prior year  
10 may not exceed the amount which (A) the product of the  
11 unit’s baseline multiplied by the unit’s 1985 actual sulfur  
12 dioxide emission rate (in lbs. per mmBtu), divided by  
13 2,000 exceeds (B) the allowances specified for such unit  
14 in Table A. In the case of an affected unit under section  
15 414 described in subparagraph (A), the allowances award-  
16 ed under this subsection for early reductions in any prior  
17 year may not exceed the amount by which (i) the product  
18 of the quality of fossil fuel consumed by the unit (in  
19 mmBtu) in the prior year multiplied by the lesser of 2.50  
20 or the most stringent emission rate (in lbs. per mmBtu)  
21 applicable to the unit under the applicable implementation  
22 plan, divided by 2,000 exceeds (ii) the unit’s actual ton-  
23 nage of sulfur dioxide emission for the prior year con-  
24 cerned. Allowances allocated under this subsection for  
25 units referred to in subparagraph (A) may be allocated



1 only for emission reductions achieved as a result of phys-  
 2 ical changes or changes in the method of operation made  
 3 after November 15, 1990, including changes in the type  
 4 or quality of fossil fuel consumed.

5 “(3) In no event shall the provisions of this para-  
 6 graph be interpreted as an event of force majeure or a  
 7 commercial impracticability or in any other way as a basis  
 8 for excused nonperformance by a utility system under a  
 9 coal sales contract in effect before November 15, 1990.

“TABLE A.—AFFECTED SOURCES AND UNITS IN PHASE I AND THEIR SULFUR DIOXIDE ALLOWANCES (TONS)

State	Plant name	Generator	Phase I allowances	
Alabama .....	Colbert .....	1	13,570	
		2	15,310	
		3	15,400	
		4	15,410	
		5	37,180	
	E.C. Gaston .....	1	18,100	
		2	18,540	
		3	18,310	
		4	19,280	
		5	59,840	
Florida .....	Big Bend .....	1	28,410	
		2	27,100	
		3	26,740	
Georgia .....	Crist .....	6	19,200	
		7	31,680	
	Bowen .....	1	56,320	
		2	54,770	
		3	71,750	
	Hammond .....	Hammond .....	4	71,740
			1	8,780
2			9,220	
J. McDonough .....		J. McDonough .....	3	8,910
			4	37,640
			1	19,910
Wansley .....		Wansley .....	2	20,600
			1	70,770
			2	65,430
Yates .....	Yates .....	1	7,210	
		2	7,040	
		3	6,950	



“TABLE A.—AFFECTED SOURCES AND UNITS IN PHASE I AND THEIR SULFUR DIOXIDE ALLOWANCES (TONS)—Continued

State	Plant name	Generator	Phase I allowances
		4	8,910
		5	9,410
		6	24,760
		7	21,480
Illinois .....	Baldwin .....	1	42,010
		2	44,420
		3	42,550
	Coffeen .....	1	11,790
		2	35,670
	Grand Tower .....	4	5,910
	Hennepin .....	2	18,410
	Joppa Steam .....	1	12,590
		2	10,770
		3	12,270
		4	11,360
		5	11,420
		6	10,620
	Kincaid .....	1	31,530
		2	33,810
	Meredosia .....	3	13,890
	Vermilion .....	2	8,880
Indiana .....	Bailly .....	7	11,180
		8	15,630
	Breed .....	1	18,500
	Cayuga .....	1	33,370
		2	34,130
	Clifty Creek .....	1	20,150
		2	19,810
		3	20,410
		4	20,080
		5	19,360
		6	20,380
	E. W. Stout .....	5	3,880
		6	4,770
		7	23,610
	F. B. Culley .....	2	4,290
		3	16,970
	F. E. Ratts .....	1	8,330
		2	8,480
	Gibson .....	1	40,400
		2	41,010
		3	41,080
		4	40,320
	H.T. Pritchard .....	6	5,770
	Michigan City .....	12	23,310
	Petersburg .....	1	16,430
		2	32,380
	R. Gallagher .....	1	6,490
		2	7,280



“TABLE A.—AFFECTED SOURCES AND UNITS IN PHASE I AND THEIR SULFUR DIOXIDE ALLOWANCES (TONS)—Continued

State	Plant name	Generator	Phase I allowances
	.....	3	6,530
	.....	4	7,650
	Tanners Creek .....	4	24,820
	Wabash River .....	1	4,000
	.....	2	2,860
	.....	3	3,750
	.....	5	3,670
	.....	6	12,280
	Warrick .....	4	26,980
Iowa .....	Burlington .....	1	10,710
	Des Moines .....	7	2,320
	George Neal .....	1	1,290
	M.L. Kapp .....	2	13,800
	Prairie Creek .....	4	8,180
	Riverside .....	5	3,990
Kansas .....	Quindaro .....	2	4,220
Kentucky .....	Coleman .....	1	11,250
	.....	2	12,840
	.....	3	12,340
	Cooper .....	1	7,450
	.....	2	15,320
	E.W. Brown .....	1	7,110
	.....	2	10,910
	.....	3	26,100
	Elmer Smith .....	1	6,520
	.....	2	14,410
	Ghent .....	1	28,410
	Green River .....	4	7,820
	H.L. Spurlock .....	1	22,780
	Henderson II .....	1	13,340
	.....	2	12,310
	Paradise .....	3	59,170
	Shawnee .....	10	10,170
Maryland .....	Chalk Point .....	1	21,910
	.....	2	24,330
	C.P. Crane .....	1	10,330
	.....	2	9,230
	Morgantown .....	1	35,260
	.....	2	38,480
Michigan .....	J.H. Campbell .....	1	19,280
	.....	2	23,060
Minnesota .....	High Bridge .....	6	4,270
Mississippi .....	Jack Watson .....	4	17,910
	.....	5	36,700
Missouri .....	Asbury .....	1	16,190
	James River .....	5	4,850
	Labadie .....	1	40,110
	.....	2	37,710
	.....	3	40,310



“TABLE A.—AFFECTED SOURCES AND UNITS IN PHASE I AND THEIR SULFUR DIOXIDE ALLOWANCES (TONS)—Continued

State	Plant name	Generator	Phase I allowances
		4	35,940
	Montrose .....	1	7,390
		2	8,200
		3	10,090
	New Madrid .....	1	28,240
		2	32,480
	Sibley .....	3	15,580
	Sioux .....	1	22,570
		2	23,690
	Thomas Hill .....	1	10,250
		2	19,390
New Hampshire .....	Merrimack .....	1	10,190
		2	22,000
New Jersey .....	B.L. England .....	1	9,060
		2	11,720
New York .....	Dunkirk .....	3	12,600
		4	14,060
	Greenidge .....	4	7,540
	Milliken .....	1	11,170
		2	12,410
	Northport .....	1	19,810
		2	24,110
		3	26,480
	Port Jefferson .....	3	10,470
		4	12,330
Ohio .....	Ashtabula .....	5	16,740
	Avon Lake .....	8	11,650
		9	30,480
	Cardinal .....	1	34,270
		2	38,320
	Conesville .....	1	4,210
		2	4,890
		3	5,500
		4	48,770
	Eastlake .....	1	7,800
		2	8,640
		3	10,020
		4	14,510
		5	34,070
	Edgewater .....	4	5,050
	Gen. J.M. Gavin .....	1	79,080
		2	80,560
	Kyger Creek .....	1	19,280
		2	18,560
		3	17,910
		4	18,710
		5	18,740
	Miami Fort .....	5	760
		6	11,380



“TABLE A.—AFFECTED SOURCES AND UNITS IN PHASE I AND THEIR SULFUR DIOXIDE ALLOWANCES (TONS)—Continued

State	Plant name	Generator	Phase I allowances
		7	38,510
	Muskingum River .....	1	14,880
		2	14,170
		3	13,950
		4	11,780
		5	40,470
	Niles .....	1	6,940
		2	9,100
	Picway .....	5	4,930
	R.E. Burger .....	3	6,150
		4	10,780
		5	12,430
	W.H. Sammis .....	5	24,170
		6	39,930
		7	43,220
	W.C. Beckjord .....	5	8,950
		6	23,020
Pennsylvania .....	Armstrong .....	1	14,410
		2	15,430
	Brunner Island .....	1	27,760
		2	31,100
		3	53,820
	Cheswick .....	1	39,170
	Conemaugh .....	1	59,790
		2	66,450
	Hatfield's Ferry .....	1	37,830
		2	37,320
		3	40,270
	Martins Creek .....	1	12,660
		2	12,820
	Portland .....	1	5,940
		2	10,230
	Shawville .....	1	10,320
		2	10,320
		3	14,220
		4	14,070
	Sunbury .....	3	8,760
		4	11,450
Tennessee .....	Allen .....	1	15,320
		2	16,770
		3	15,670
	Cumberland .....	1	86,700
		2	94,840
	Gallatin .....	1	17,870
		2	17,310
		3	20,020
		4	21,260
	Johnsonville .....	1	7,790
		2	8,040



“TABLE A.—AFFECTED SOURCES AND UNITS IN PHASE I AND THEIR SULFUR DIOXIDE ALLOWANCES (TONS)—Continued

State	Plant name	Generator	Phase I allowances
		3	8,410
		4	7,990
		5	8,240
		6	7,890
		7	8,980
		8	8,700
		9	7,080
		10	7,550
West Virginia .....	Albright .....	3	12,000
		1	41,590
	Fort Martin .....	2	41,200
		1	48,620
	Harrison .....	2	46,150
		3	41,500
		1	18,740
	Kammer .....	2	19,460
		3	17,390
		1	43,980
	Mitchell .....	2	45,510
		1	43,720
	Mount Storm .....	2	35,580
		3	42,430
Wisconsin .....		4	24,750
		3	22,700
Nelson Dewey .....		1	6,010
		2	6,680
N. Oak Creek .....		1	5,220
		2	5,140
Pulliam .....	3	5,370	
	4	6,320	
S. Oak Creek .....	8	7,510	
	5	9,670	
		6	12,040
		7	16,180
		8	15,790



1           “(f) ENERGY CONSERVATION AND RENEWABLE EN-  
 2   ERGY.—  
 3           “(1) DEFINITIONS.—As used in this subsection:  
 4                   “(A) QUALIFIED ENERGY CONSERVATION  
 5           MEASURE.—The term ‘qualified energy con-

1           servation measure' means a cost effective meas-  
2           ure, as identified by the Administrator in con-  
3           sultation with the Secretary of Energy, that in-  
4           creases the efficiency of the use of electricity  
5           provided by an electric utility to its customers.

6           “(B) QUALIFIED RENEWABLE ENERGY.—  
7           The term ‘qualified renewable energy’ means  
8           energy derived from biomass, solar, geothermal,  
9           or wind as identified by the Administrator in  
10          consultation with the Secretary of Energy.

11          “(C) ELECTRIC UTILITY.—The term ‘elec-  
12          tric utility’ means any person, State agency, or  
13          Federal agency, which sells electric energy.

14          “(2) ALLOWANCES FOR EMISSIONS AVOIDED  
15          THROUGH ENERGY CONSERVATION AND RENEWABLE  
16          ENERGY.—

17          “(A) IN GENERAL.—The regulations under  
18          paragraph (4) of this subsection shall provide  
19          that for each ton of sulfur dioxide emissions  
20          avoided by an electric utility, during the appli-  
21          cable period, through the use of qualified en-  
22          ergy conservation measures or qualified renew-  
23          able energy, the Administrator shall allocate a  
24          single allowance to such electric utility, on a  
25          first-come-first-served basis from the Conserva-





1           tion and Renewable Energy Reserve established  
2           under subsection (g), up to a total of 300,000  
3           allowances for allocation from such Reserve.

4           “(B) REQUIREMENTS FOR ISSUANCE.—  
5           The Administrator shall allocate allowances to  
6           an electric utility under this subsection only if  
7           all of the following requirements are met:

8                   “(i) Such electric utility is paying for  
9                   the qualified energy conservation measures  
10                  or qualified renewable energy directly or  
11                  through purchase from another person.

12                  “(ii) The emissions of sulfur dioxide  
13                  avoided through the use of qualified energy  
14                  conservation measures or qualified renew-  
15                  able energy are quantified in accordance  
16                  with regulations promulgated by the Ad-  
17                  ministrator under this subsection.

18                  “(iii)(I) Such electric utility has  
19                  adopted and is implementing a least cost  
20                  energy conservation and electric power  
21                  plan which evaluates a range of resources,  
22                  including new power supplies, energy con-  
23                  servation, and renewable energy resources,  
24                  in order to meet expected future demand  
25                  at the lowest system cost.



1           “(II) The qualified energy conserva-  
2           tion measures or qualified renewable en-  
3           ergy, or both, are consistent with that  
4           plan.

5           “(III) Electric utilities subject to the  
6           jurisdiction of a State regulatory authority  
7           must have such plan approved by such au-  
8           thority. For electric utilities not subject to  
9           the jurisdiction of a State regulatory au-  
10          thority such plan shall be approved by the  
11          entity with rate-making authority for such  
12          utility.

13          “(iv) In the case of qualified energy  
14          conservation measures undertaken by a  
15          State regulated electric utility, the Sec-  
16          retary of Energy certifies that the State  
17          regulatory authority with jurisdiction over  
18          the electric rates of such electric utility has  
19          established rates and charges which ensure  
20          that the net income of such electric utility  
21          after implementation of specific cost effec-  
22          tive energy conservation measures is at  
23          least as high as such net income would  
24          have been if the energy conservation meas-  
25          ures had not been implemented. Upon the



1 date of any such certification by the Sec-  
2 retary of Energy, all allowances which, but  
3 for this paragraph, would have been allo-  
4 cated under subparagraph (B) before such  
5 date, shall be allocated to the electric util-  
6 ity. This clause is not a requirement for  
7 qualified renewable energy.

8 “(v) Such utility or any subsidiary of  
9 the utility’s holding company owns or oper-  
10 ates at least one affected unit.

11 “(C) PERIOD OF APPLICABILITY.—Allow-  
12 ances under this subsection shall be allocated  
13 only with respect to kilowatt hours of electric  
14 energy saved by qualified energy conservation  
15 measures or generated by qualified renewable  
16 energy after January 1, 1992, and before the  
17 earlier of (i) December 31, 2000, or (ii) the  
18 date on which any electric utility steam gener-  
19 ating unit owned or operated by the electric  
20 utility to which the allowances are allocated be-  
21 comes subject to this subpart (including those  
22 sources that elect to become affected by this  
23 title, pursuant to section 417).

24 “(D) DETERMINATION OF AVOIDED EMIS-  
25 SIONS.—



1           “(i) APPLICATION.—In order to re-  
2           ceive allowances under this subsection, an  
3           electric utility shall make an application  
4           which—

5                   “(I) designates the qualified en-  
6                   ergy conservation measures imple-  
7                   mented and the qualified renewable  
8                   energy sources used for purposes of  
9                   avoiding emissions;

10                   “(II) calculates, in accordance  
11                   with subparagraphs (F) and (G), the  
12                   number of tons of emissions avoided  
13                   by reason of the implementation of  
14                   such measures or the use of such re-  
15                   newable energy sources; and

16                   “(III) demonstrates that the re-  
17                   quirements of subparagraph (B) have  
18                   been met. Such application for allow-  
19                   ances by a State-regulated electric  
20                   utility shall require approval by the  
21                   State regulatory authority with juris-  
22                   diction over such electric utility. The  
23                   authority shall review the application  
24                   for accuracy and compliance with this  
25                   subsection and the rules under this



1 subsection. Electric utilities whose re-  
 2 tail rates are not subject to the juris-  
 3 diction of a State regulatory authority  
 4 shall apply directly to the Adminis-  
 5 trator for such approval.

6 “(E) AVOIDED EMISSIONS FROM QUALI-  
 7 FIED ENERGY CONSERVATION MEASURES.—For  
 8 the purposes of this subsection, the emission  
 9 tonnage deemed avoided by reason of the imple-  
 10 mentation of qualified energy conservation  
 11 measures for any calendar year shall be a ton-  
 12 nage equal to the product of multiplying—

13 “(i) the kilowatt hours that would  
 14 otherwise have been supplied by the utility  
 15 during such year in the absence of such  
 16 qualified energy conservation measures, by

17 “(ii) 0.004, and dividing by 2,000.

18 “(F) AVOIDED EMISSIONS FROM THE USE  
 19 OF QUALIFIED RENEWABLE ENERGY.—The  
 20 emissions tonnage deemed avoided by reason of  
 21 the use of qualified renewable energy by an  
 22 electric utility for any calendar year shall be a  
 23 tonnage equal to the product of multiplying—  
 24 (i) the actual kilowatt hours generated by, or



1 purchased from, qualified renewable energy, by  
2 (ii) 0.004, and dividing by 2,000.

3 “(G) PROHIBITIONS.—

4 “(i) No allowances shall be allocated  
5 under this subsection for the implementa-  
6 tion of programs that are exclusively infor-  
7 mational or educational in nature.

8 “(ii) No allowances shall be allocated  
9 for energy conservation measures or renew-  
10 able energy that were operational before  
11 January 1, 1992.

12 “(3) SAVINGS PROVISION.—Nothing in this  
13 subsection precludes a State or State regulatory  
14 authority from providing additional incentives  
15 to utilities to encourage investment in demand-  
16 side resources.

17 “(4) REGULATIONS.—The Administrator  
18 shall implement this subsection under 40 CFR  
19 part 73 (2002), amended as appropriate by the  
20 Administrator. Such regulations shall list en-  
21 ergy conservation measures and renewable en-  
22 ergy sources which may be treated as qualified  
23 energy conservation measures and qualified re-  
24 newable energy for purposes of this subsection.  
25 Allowances shall only be allocated if all require-



1           ments of this subsection and the rules promul-  
2           gated to implement this subsection are complied  
3           with. The Administrator shall review the deter-  
4           minations of each State regulatory authority  
5           under this subsection to encourage consistency  
6           from electric utility and from State-to-State in  
7           accordance with the Administrator's rules. The  
8           Administrator shall publish the findings of this  
9           review no less than annually.

10         “(g) CONSERVATION AND RENEWABLE ENERGY RE-  
11         SERVE.—The Administrator shall establish a Conservation  
12         and Renewable Energy Reserve under this subsection. Be-  
13         ginning on January 1, 1995, the Administrator may allo-  
14         cate from the Conservation and Renewable Energy Re-  
15         serve an amount equal to a total of 300,000 allowances  
16         for emissions of sulfur dioxide pursuant to section 411.  
17         In order to provide 300,000 allowances for such reserve,  
18         in each year beginning in calendar year 2000 and until  
19         calendar year 2009, inclusive, the Administrator shall re-  
20         duce each unit's basic Phase II allowance allocation on  
21         the basis of its pro rata share of 30,000 allowances. Not-  
22         withstanding the prior sentence, if allowances remain in  
23         the reserve one year after the date of enactment of the  
24         Clear Skies Act of 2003, the Administrator shall allocate  
25         such allowances for affected units under section 414 on



1 a pro rata basis. For purposes of this subsection, for any  
2 unit subject to the emissions limitation requirements of  
3 section 414, the term ‘pro rata basis’ refers to the ratio  
4 which the reductions made in such unit’s allowances in  
5 order to establish the reserve under this subsection bears  
6 to the total of such reductions for all such units.

7 “(h) ALTERNATIVE ALLOWANCE ALLOCATION FOR  
8 UNITS IN CERTAIN UTILITY SYSTEMS WITH OPTIONAL  
9 BASELINE.—

10 “(1) OPTIONAL BASELINE FOR UNITS IN CER-  
11 TAIN SYSTEMS.—In the case of a unit subject to the  
12 emissions limitation requirements of this section  
13 which (as of November 15, 1990)—

14 “(A) has an emission rate below 1.0 lbs/  
15 mmBtu,

16 “(B) has decreased its sulfur dioxide emis-  
17 sions rate by 60 percent or greater since 1980,  
18 and

19 “(C) is part of a utility system which has  
20 a weighted average sulfur dioxide emissions rate  
21 for all fossil fueled-fired units below 1.0 lbs/  
22 mmBtu, at the election to the owner or oper-  
23 ator of such unit, the unit’s baseline may be  
24 calculated

25 “(i) as provided under section 411, or





1           “(ii) by utilizing the unit’s average  
2           annual fuel consumption at a 60 percent  
3           capacity factor. Such election shall be  
4           made no later than March 1, 1991.

5           “(2) ALLOWANCE ALLOCATION.—Whenever a  
6           unit referred to in paragraph (1) elects to calculate  
7           its baseline as provided in clause (ii) of paragraph  
8           (1), the Administrator shall allocate allowances for  
9           the unit pursuant to section 412(a), this section,  
10          and section 414 (as Basic Phase II allowance alloca-  
11          tions) in an amount equal to the baseline selected  
12          multiplied by the lower of the average annual emis-  
13          sion rate for such unit in 1989, or 1.0 lbs./mmBtu.  
14          Such allowance allocation shall be in lieu of any allo-  
15          cation of allowances under this section and section  
16          414.

17 **“SEC. 414. PHASE II SULFUR DIOXIDE REQUIREMENTS.**

18          “(a) APPLICABILITY.—

19                 “(1) After January 1, 2000, each existing util-  
20                 ity unit as provided below is subject to the limita-  
21                 tions or requirements of this section. Each utility  
22                 unit subject to an annual sulfur dioxide tonnage  
23                 emission limitation under this section is an affected  
24                 unit under this subpart. Each source that includes  
25                 one or more affected units is an affected source. In



1 the case of an existing unit that was not in oper-  
2 ation during calendar year 1985, the emission rate  
3 for a calendar year after 1985, as determined by the  
4 Administrator, shall be used in lieu of the 1985 rate.  
5 The owner or operator of any unit operated in viola-  
6 tion of this section shall be fully liable under this  
7 Act for fulfilling the obligations specified in section  
8 406.

9 “(2) In addition to basic Phase II allowance al-  
10 locations, in each year beginning in calendar year  
11 2000 and ending in calendar year 2009, inclusive,  
12 the Administrator shall allocate up to 530,000  
13 Phase II bonus allowances pursuant to subsections  
14 (b)(2),(c)(4), (d)(3)(A) and (B), and (h)(2) of this  
15 section and section 415.

16 “(3) In addition to basic Phase II allowances  
17 allocations and Phase II bonus allowance allocations,  
18 beginning January 1, 2000, the Administrator shall  
19 allocate for each unit listed on Table A in section  
20 413 (other than units at Kyger Creek, Clifty Creek,  
21 and Joppa Stream) and located in the States of Illi-  
22 nois, Indiana, Ohio, Georgia, Alabama, Missouri,  
23 Pennsylvania, West Virginia, Kentucky, or Ten-  
24 nessee allowances in an amount equal to 50,000  
25 multiplied by the unit’s pro rata share of the total



1 number of basic allowances allocated for all units  
2 listed on Table A (other than units at Kyger Creek,  
3 Clifty Creek, and Joppa Stream). Allowances allo-  
4 cated pursuant to this paragraph shall not be sub-  
5 ject to the 8,900,000 ton limitation in section  
6 412(a).

7 “(b) UNITS EQUAL TO, OR ABOVE, 75 MWE AND  
8 1.20 LBS/MMBTU.—

9 “(1) Except as otherwise provided in paragraph  
10 (3), after January 1, 2000, it shall be unlawful for  
11 any existing utility unit that serves a generator with  
12 nameplate capacity equal to, or greater, than 75  
13 MWe and an actual 1985 emission rate equal to or  
14 greater than 1.20 lbs/mmBtu to exceed an annual  
15 sulfur dioxide tonnage emission limitation equal to  
16 the product of the unit’s baseline multiplied by an  
17 emission rate equal to 1.20 lbs/mmBtu, divided by  
18 2,000, unless the owner or operator of such unit  
19 holds allowances to emit not less than the unit’s  
20 total annual emissions or, for a year after 2007, un-  
21 less the owner or operator of the source that in-  
22 cludes such unit holds allowances to emit not less  
23 than the total annual emissions of all affected units  
24 at the source.



1           “(2) In addition to allowances allocated pursu-  
2           ant to paragraph (1) and section 412(a) as basic  
3           Phase II allowance allocations, beginning January 1,  
4           2000, and for each calendar year thereafter until  
5           and including 2009, the Administrator shall allocate  
6           annually for each unit subject to the emissions limi-  
7           tation requirements of paragraph (1) with an actual  
8           1985 emissions rate greater than 1.20 lbs/mmBtu  
9           and less than 2.50 lbs/mmBtu and a baseline capac-  
10          ity factor of less than 60 percent, allowances from  
11          the reserve created pursuant to subsection (a)(2) in  
12          an amount equal to 1.20 lbs/mmBtu multiplied by  
13          50 percent of the difference, on a Btu basis, between  
14          the unit’s baseline and the unit’s fuel consumption  
15          at a 60 percent capacity factor.

16           “(3) After January 1, 2000, it shall be unlawful  
17          for any existing utility unit with an actual 1985  
18          emissions rate equal to or greater than 1.20 lbs/  
19          mmBtu whose annual average fuel consumption dur-  
20          ing 1985, 1986, and 1987 on a Btu basis exceeded  
21          90 percent in the form of lignite coal which is lo-  
22          cated in a State in which, as of July 1, 1989, no  
23          county or portion of a county was designated non-  
24          attainment under section 107 of this Act for any  
25          pollutant subject to the requirements of section 109



1 of this Act to exceed an annual sulfur dioxide ton-  
2 nage limitation equal to the product of the unit's  
3 baseline multiplied by the lesser of the unit's actual  
4 1985 emissions rate or its allowable 1985 emissions  
5 rate, divided by 2,000, unless the owner or operator  
6 of such unit holds allowances to emit not less than  
7 the unit's total annual emissions or, for a year after  
8 2007, unless the owner or operator of the source  
9 that includes such unit holds allowances to emit not  
10 less than the total annual emissions of all affected  
11 units at the source.

12 “(4) After January 1, 2000, the Administrator  
13 shall allocate annually for each unit, subject to the  
14 emissions limitation requirements of paragraph (1),  
15 which is located in a State with an installed elec-  
16 trical generating capacity of more than 30,000,000  
17 kw in 1988 and for which was issued a prohibition  
18 order or a proposed prohibition order (from burning  
19 oil), which unit subsequently converted to coal be-  
20 tween January 1, 1980 and December 31, 1985, al-  
21 lowances equal to the difference between (A) the  
22 product of the unit's annual fuel consumption, on a  
23 Btu basis, at a 65 percent capacity factor multiplied  
24 by the lesser of its actual or allowable emissions rate  
25 during the first full calendar year after conversion,



1 divided by 2,000, and (B) the number of allowances  
2 allocated for the unit pursuant to paragraph (1):  
3 *Provided*, That the number of allowances allocated  
4 pursuant to this paragraph shall not exceed an an-  
5 nual total of five thousand. If necessary to meeting  
6 the restriction imposed in the preceding sentence the  
7 Administrator shall reduce, pro rata, the annual al-  
8 lowances allocated for each unit under this para-  
9 graph.

10 “(c) COAL OR OIL-FIRED UNITS BELOW 75 MWE  
11 AND ABOVE 1.20 LBS/MMBTU.—

12 “(1) Except as otherwise provided in paragraph  
13 (3), after January 1, 2000, it shall be unlawful for  
14 a coal or oil-fired existing utility unit that serves a  
15 generator with nameplate capacity of less than 75  
16 MWe and an actual 1985 emission rate equal to, or  
17 greater than, 1.20 lbs/mmBtu and which is a unit  
18 owned by a utility operating company whose aggre-  
19 gate nameplate fossil fuel steam-electric capacity is,  
20 as of December 31, 1989, equal to, or greater than,  
21 250 MWe to exceed an annual sulfur dioxide emis-  
22 sions limitation equal to the product of the unit’s  
23 baseline multiplied by an emission rate equal to 1.20  
24 lbs/mmBtu, divided by 2,000 unless the owner or op-  
25 erator of such unit holds allowances to emit not less



1 than the unit's total annual emissions or, for a year  
2 after 2007, unless the owner or operator of the  
3 source that includes such unit holds allowances to  
4 emit not less than the total annual emissions of all  
5 affected units at the source.

6 “(2) After January 1, 2000, it shall be unlawful  
7 for a coal or oil-fired existing utility unit that serves  
8 a generator with nameplate capacity of less than 75  
9 MWe and an actual 1985 emission rate equal to, or  
10 greater than, 1.20 lbs/mmBtu (excluding units sub-  
11 ject to section 111 of the Act or to a federally en-  
12 forceable emissions limitation for sulfur dioxide  
13 equivalent to an annual rate of less than 1.20 lbs/  
14 mmBtu) and which is a unit owned by a utility oper-  
15 ating company whose aggregate nameplate fossil fuel  
16 steam-electric capacity is, as of December 31, 1989,  
17 less than 250 MWe, to exceed an annual sulfur diox-  
18 ide tonnage emissions limitation equal to the product  
19 of the unit's baseline multiplied by the lesser of its  
20 actual 1985 emissions rate or its allowable 1985  
21 emissions rate, divided by 2,000, unless the owner or  
22 operator of such unit holds allowances to emit not  
23 less than the unit's total annual emissions or, for a  
24 year after 2007, unless the owner or operator of the  
25 source that includes such unit holds allowances to



1 emit not less than the total annual emissions of all  
2 affected units at the source.

3 “(3) After January 1, 2000 it shall be unlawful  
4 for any existing utility unit with a nameplate capac-  
5 ity below 75 MWe and an actual 1985 emissions  
6 rate equal to, or greater than, 1.20 lbs/mmBtu  
7 which became operational on or before December 31,  
8 1965, which is owned by a utility operating company  
9 with, as of December 31, 1989, a total fossil fuel  
10 steam-electric generating capacity greater than 250  
11 MWe, and less than 450 MWe which serves fewer  
12 than 78,000 electrical customers as of November 15,  
13 1990, to exceed an annual sulfur dioxide emissions  
14 tonnage limitation equal to the product of its base-  
15 line multiplied by the lesser of its actual or allowable  
16 1985 emission rate, divided by 2,000, unless the  
17 owner or operator holds allowances to emit not less  
18 than the units total annual emissions or, for a year  
19 after 2007, unless the owner or operator of the  
20 source that includes such unit holds allowances to  
21 emit not less than the total annual emissions of all  
22 affected units at the source. After January 1, 2010,  
23 it shall be unlawful for each unit subject to the  
24 emissions limitation requirements of this paragraph  
25 to exceed an annual emissions tonnage limitation





1 equal to the product of its baseline multiplied by an  
2 emissions rate of 1.20 lbs/mmBtu, divided by 2,000,  
3 unless the owner or operator holds allowances to  
4 emit not less than the unit's total annual emissions  
5 or, for a year after 2007, unless the owner or oper-  
6 ator of the source that includes such unit holds al-  
7 lowances to emit not less than the total annual emis-  
8 sions of all affected units at the source.

9 “(4) In addition to allowances allocated pursu-  
10 ant to paragraph (1) and section 412(a) as basic  
11 Phase II allowance allocations, beginning January 1,  
12 2000, and for each calendar year thereafter until  
13 and including 2009, inclusive, the Administrator  
14 shall allocate annually for each unit subject to the  
15 emissions limitation requirements of paragraph (1)  
16 with an actual 1985 emissions rate equal to, or  
17 greater than, 1.20 lbs/mmBtu and less than 2.50  
18 lbs/mmBtu and a baseline capacity factor of less  
19 than 60 percent, allowances from the reserve created  
20 pursuant to subsection (a)(2) in an amount equal to  
21 1.20 lbs/mmBtu multiplied by 50 percent of the dif-  
22 ference, on a Btu basis, between the unit's baseline  
23 and the unit's fuel consumption at a 60 percent ca-  
24 pacity factor.



1           “(5) After January 1, 2000, is shall be unlaw-  
2           ful for any existing unit with a nameplate capacity  
3           below 75 MWe and an actual 1985 emissions rate  
4           equal to, or greater than, 1.20 lbs/mmBtu which is  
5           part of an electric utility system which, as of No-  
6           vember 15, 1990—

7           “(A) has at least 20 percent of its fossil-  
8           fuel capacity controlled by flue gas  
9           desulfurization devices,

10           “(B) has more than 10 percent of its fos-  
11           sil-fuel capacity consisting of coal-fired unites of  
12           less than 75 MWe, and

13           “(C) has large units (greater than 400  
14           MWe) all of which have difficult or very dif-  
15           ficult FGD Retrofit Cost Factors (according to  
16           the Emissions and the FGD Retrofit Feasibility  
17           at the 200 Top Emitting Generating Stations,  
18           prepared for the United States Environmental  
19           Protection Agency on January 10, 1986) to ex-  
20           ceed an annual sulfur dioxide emissions tonnage  
21           limitation equal to the product of its baseline  
22           multiplied by an emissions rate of 2.5 lbs/  
23           mmBtu, divided by 2,000, unless the owner or  
24           operator holds allowances to emit not less than  
25           the unit’s total annual emissions or, for a year



1 after 2007, unless the owner or operator of the  
2 source that includes such unit holds allowances  
3 to emit not less than the total annual emissions  
4 of all affected units at the source. After Janu-  
5 ary 1, 2010, it shall be unlawful for each unit  
6 subject to the emissions limitation requirements  
7 of this paragraph to exceed an annual emissions  
8 tonnage limitation equal to the project of its  
9 baseline multiplied by an emissions rate of 1.20  
10 lbs/mmBtu, divided by 2,000, unless the owner  
11 or operator holds for use allowances to emit not  
12 less than the unit's total annual emissions or,  
13 for a year after 2007, unless the owner or oper-  
14 ator of the source that includes such unit holds  
15 allowances to emit not less than the total an-  
16 nual emissions of all affected units at the  
17 source.

18 “(d) COAL-FIRED UNITS BELOW 1.20 LBS/  
19 MMBTU.—

20 “(1) After January 1, 2000, it shall be unlawful  
21 for any existing coal-fired utility unit the lesser of  
22 whose actual or allowable 1985 sulfur dioxide emis-  
23 sions rate is less than 0.60 lbs/mmBtu to exceed an  
24 annual sulfur dioxide tonnage emission limitation



1 equal to the product of the unit's baseline multiplied  
2 by—

3 “(A) the lesser of 0.60 lbs/mmBtu or the  
4 unit's allowable 1985 emissions rate, and

5 “(B) a numerical factor of 120 percent, di-  
6 vided by 2,000, unless the owner or operator of  
7 such unit holds allowances to emit not less than  
8 the unit's total annual emissions or, for a year  
9 after 2007, unless the owner or operator of the  
10 source that includes such unit holds allowances  
11 to emit not less than the total annual emissions  
12 of all affected units at the source.

13 “(2) After January 1, 2000, it shall be unlawful  
14 for any existing coal-fired utility unit the lesser of  
15 whose actual or allowable 1985 sulfur dioxide emis-  
16 sions rate is equal to, or greater than, 0.60 lbs/  
17 mmBtu and less than 1.20 lbs/mmBtu to exceed an  
18 annual sulfur dioxide tonnage emissions limitation  
19 equal to the product of the unit's baseline multiplied  
20 by (A) the lesser of its actual 1985 emissions rate  
21 or its allowable 1985 emissions rate, and (B) a nu-  
22 merical factor of 120 percent, divided by 2,000, un-  
23 less the owner or operator of such unit holds allow-  
24 ances to emit not less than the unit's total annual  
25 emissions or, for a year after 2007, unless the owner



1 or operator of the source that includes such unit  
2 holds allowances to emit not less than the total an-  
3 nual emissions of all affected units at the source.

4 “(3)(A) In addition to allowances allocated pur-  
5 suant to paragraph (1) and section 412(a) as basic  
6 Phase II allowance allocations, at the election of the  
7 designated representative of the operating company,  
8 beginning January 1, 2000, and for each calendar  
9 year thereafter until and including 2009, the Admin-  
10 istrator shall allocate annually for each unit subject  
11 to the emissions limitation requirements of para-  
12 graph (1) allowances from the reserve created pursu-  
13 ant to subsection (a)(2) in an amount equal to the  
14 amount by which—

15 “(i) the product of the lesser of 0.60  
16 lbs.mmBtu or the unit’s allowable 1985 emis-  
17 sions rate multiplied by the unit’s baseline ad-  
18 justed to reflect operation at a 60 percent ca-  
19 pacity factor, divided by 2,000, exceeds

20 “(ii) the number of allowances allocated  
21 for the unit pursuant to paragraph (1) and sec-  
22 tion 403(a)(1) as basic Phase II allowance allo-  
23 cations.

24 “(B) In addition to allowances allocated pursu-  
25 ant to paragraph (2) and section 412(a) as basic



1 Phase II allowance allocations, at the election of the  
2 designated representative of the operating company,  
3 beginning January 1, 2000, and for each calendar  
4 year thereafter until and including 2009, the Admin-  
5 istrator shall allocate annually for each unit subject  
6 to the emissions limitation requirements of para-  
7 graph (2) allowances from the reserve created pursu-  
8 ant to subsection (a)(2) in an amount equal to the  
9 amount by which—

10 “(i) the product of the lesser of the unit’s  
11 actual 1985 emissions rate or its allowable  
12 1985 emissions rate multiplied by the unit’s  
13 baseline adjusted to reflect operation at a 60  
14 percent capacity factor, divided by 2,000, ex-  
15 ceeds

16 “(ii) the number of allowances allocated  
17 for the unit pursuant to paragraph (2) and sec-  
18 tion 412(a) as basic Phase II allowance alloca-  
19 tions.

20 “(C) An operating company with units subject  
21 to the emissions limitation requirements of this sub-  
22 section may elect the allocation of allowances as pro-  
23 vided under subparagraphs (A) and (B). Such elec-  
24 tion shall apply to the annual allowance allocation  
25 for each and every unit in the operating company



1 subject to the emissions limitation requirements of  
2 this subsection. The Administrator shall allocate al-  
3 lowances pursuant to subparagraphs (A) and (B)  
4 only in accordance with this subparagraph.

5 “(4) Notwithstanding any other provision of  
6 this section, at the election of the owner or operator,  
7 after January 1, 2000, the Administrator shall allo-  
8 cate in lieu of allocation, pursuant to paragraph (1),  
9 (2), (3), (5), or (6), allowances for a unit subject to  
10 the emissions limitation requirements of this sub-  
11 section which commenced commercial operation on  
12 or after January 1, 1981 and before December 31,  
13 1985, which was subject to, and in compliance with,  
14 section 111 of the Act in an amount equal to the  
15 unit’s annual fuel consumption, on a Btu basis, at  
16 a 65 percent capacity factor multiplied by the unit’s  
17 allowable 1985 emissions rate, divided by 2,000.

18 “(5) For the purposes of this section, in the  
19 case of an oil- and gas-fired unit which has been  
20 awarded a clean coal technology demonstration grant  
21 as of January 1, 1991, by the United States Depart-  
22 ment of Energy, beginning January 1, 2002, the Ad-  
23 ministrator shall allocate for the unit allowances in  
24 an amount equal to the unit’s baseline multiplied by  
25 1.20 lbs/mmBtu, divided by 2,000.



1           “(e) OIL AND GAS-FIRED UNITS EQUAL TO OR  
2 GREATER THAN 0.60 LBS/MMBTU AND LESS THAN 1.20  
3 LBS/MMBTU.—After January 1, 2000, it shall be unlawful  
4 for any existing oil and gas-fired utility unit the lesser of  
5 whose actual or allowable 1985 sulfur dioxide emission  
6 rate is equal to, or greater than, 0.60 lbs/mmBtu, but less  
7 than 1.20 lbs/mmBtu to exceed an annual sulfur dioxide  
8 tonnage limitation equal to the product of the unit’s base-  
9 line multiplied by (A) the lesser of the unit’s allowable  
10 1985 emissions rate or its actual 1985 emissions rate and  
11 (B) a numerical factor of 120 percent divided by 2,000,  
12 unless the owner or operator of such unit holds allowances  
13 to emit not less than the unit’s total annual emissions or,  
14 for a year after 2007, unless the owner or operator of the  
15 source that includes such unit holds allowances to emit  
16 not less than the total annual emissions of all affected  
17 units at the source.

18           “(f) OIL AND GAS-FIRED UNITS LESS THAN 0.60  
19 LBS/MMBTU.—

20           “(1) After January 1, 2000, it shall be unlawful  
21 for any oil and gas-fired existing utility unit the less-  
22 er of whose actual or allowance 1985 emission rate  
23 is less than 0.60 lbs/mmBtu and whose average an-  
24 nual fuel consumption during the period 1980  
25 through 1989 on a Btu basis was 90 percent or less





1 in the form of natural gas to exceed an annual sul-  
2 fur dioxide tonnage emissions limitation equal to the  
3 product of the unit's baseline multiplied by—

4 “(A) the lesser of 0.60 lbs/mmBtu or the  
5 unit's allowance 1985 emissions, and

6 “(B) a numerical factor of 120 percent, di-  
7 vided by 2,000, unless the owner or operator of  
8 such unit holds allowances to emit not less than  
9 the unit's total annual emissions or, for a year  
10 after 2007,

11 unless the owner or operator of the source that in-  
12 cludes such unit holds allowances to emit not less  
13 than the total annual emissions of all affected units  
14 at the source.

15 “(2) In addition to allowances allocated pursu-  
16 ant to paragraph (1) as basic Phase II allowance al-  
17 locations and section 412(a), beginning January 1,  
18 2000, the Administrator shall, in the case of any  
19 unit operated by a utility that furnishes electricity,  
20 electric energy, steam, and natural gas within an  
21 area consisting of a city and 1 contiguous county,  
22 and in the case of any unit owned by a State author-  
23 ity, the output of which unit is furnished within that  
24 same area consisting of a city and 1 contiguous  
25 county, the Administrator shall allocate for each unit



1 in the utility its pro rata share of 7,000 allowances  
2 and for each unit in the State authority its pro rata  
3 share of 2,000 allowances.

4 “(g) UNITS THAT COMMENCE OPERATION BETWEEN  
5 1986 AND DECEMBER 31, 1995.—

6 “(1) After January 1, 2000, it shall be unlawful  
7 for any utility unit that has commenced commercial  
8 operation on or after January 1, 1986, but not later  
9 than September 30, 1990 to exceed an annual ton-  
10 nage emission limitation equal to the product of the  
11 unit’s annual fuel consumption, on a Btu basis, at  
12 a 65 percent capacity factor multiplied by the unit’s  
13 allowance 1985 sulfur dioxide emission rate (con-  
14 verted, if necessary, to pounds per mmBtu), divided  
15 by 2,000 unless the owner or operator of such unit  
16 holds allowances to emit not less than the unit’s  
17 total annual emissions or, for a year after 2007, un-  
18 less the owner or operator of the source that in-  
19 cludes such unit holds allowances to emit not less  
20 than the total annual emissions of all affected units  
21 at the source.

22 “(2) After January 1, 2000, the Administrator  
23 shall allocate allowances pursuant to section 411 to  
24 each unit which is listed in table B of this paragraph



1 in an annual amount equal to the amount specified  
2 in table B.

“TABLE B

<b>Unit</b>	<b>Allowances</b>
Brandon Shores .....	8,907
Miller 4 .....	9,197
TNP One 2 .....	4,000
Zimmer 1 .....	18,458
Spruce 1 .....	7,647
Clover 1 .....	2,796
Clover 2 .....	2,796
Twin Oak 2 .....	1,760
Twin Oak 1 .....	9,158
Cross 1 .....	6,401
Malakoff 1 .....	1,759

3 Notwithstanding any other paragraph of this sub-  
4 section, for units subject to this paragraph, the Ad-  
5 ministrator shall not allocate allowances pursuant to  
6 any other paragraph of this subsection, provided  
7 that the owner or operator of a unit listed on Table  
8 B may elect an allocation of allowances under an-  
9 other paragraph of this subsection in lieu of an allo-  
10 cation under this paragraph.

11 “(3) Beginning January 1, 2000, the Adminis-  
12 trator shall allocate to the owner or operator of any  
13 utility unit that commences commercial operation, or  
14 has commenced commercial operation, on or after  
15 October 1, 1990, but not later than December 31,  
16 1992 allowances in an amount equal to the product  
17 of the unit’s annual fuel consumption, on a Btu  
18 basis, at a 65 percent capacity factor multiplied by  
19 the lesser of 0.30 lbs/mmBtu or the unit’s allowable



1 sulfur dioxide emission rate (converted, if necessary,  
2 to pounds per mmBtu), divided by 2,000.

3 “(4) Beginning January 1, 2000, the Adminis-  
4 trator shall allocate to the owner or operator of any  
5 utility unit that has commenced construction before  
6 December 31, 1990 and that commences commercial  
7 operation between January 1, 1993 and December  
8 31, 1995, allowances in an amount equal to the  
9 product of the unit’s annual fuel consumption, on a  
10 Btu basis, at a 65 percent capacity factor multiplied  
11 by the lesser of 0.30 lbs/mmBtu or the unit’s allow-  
12 able sulfur dioxide emission rate (converted, if nec-  
13 essary, to pounds per mmBtu), divided by 2,000.

14 “(5) After January 1, 2000, it shall be unlawful  
15 for any existing utility unit that has completed con-  
16 version from predominantly gas fired existing oper-  
17 ation to coal fired operation between January 1,  
18 1985 and December 31, 1987, for which there has  
19 been allocated a proposed or final prohibition order  
20 pursuant to section 301(b) of the Powerplant and  
21 Industrial Fuel Use Act of 1978 (42 U.S.C. 8301 et  
22 seq, repealed 1987) to exceed an annual sulfur diox-  
23 ide tonnage emissions limitation equal to the product  
24 of the unit’s annual fuel consumption, on a Btu  
25 basis, at a 65 percent capacity factor multiplied by



1 the lesser of 1.20 lbs/mmBtu or the unit's allowable  
2 1987 sulfur dioxide emissions rate, divided by 2,000,  
3 unless the owner or operator of such unit has ob-  
4 tained allowances equal to its actual emissions or,  
5 for a year after 2007, unless the owner or operator  
6 of the source that includes such unit holds allow-  
7 ances to emit not less than the total annual emis-  
8 sions of all affected units at the source.

9 “(6) Unless the Administrator has approved a  
10 designation of such facility under section 417, the  
11 provisions of this subpart shall not apply to a ‘quali-  
12 fying small power production facility’ or ‘qualifying  
13 cogeneration facility’ (within the meaning of section  
14 3(17)(C) or 3(18)(B) of the Federal Power Act) or  
15 to a ‘new independent power production facility’ if,  
16 as of November 15, 1990—

17 “(A) an applicable power sales agreement  
18 has been executed;

19 “(B) the facility is the subject of a State  
20 regulatory authority order requiring an electric  
21 utility to enter into a power sales agreement  
22 with, purchase capacity from, or (for purposes  
23 of establishing terms and conditions of the elec-  
24 tric utility's purchase of power) enter into arbi-  
25 tration concerning, the facility;



1           “(C) an electric utility has issued a letter  
2           of intent or similar instrument committing to  
3           purchase power from the facility at a previously  
4           offered or lower price and a power sales agree-  
5           ment is executed within a reasonable period of  
6           time; or

7           “(D) the facility has been selected as a  
8           winning bidder in a utility competitive bid solie-  
9           itation.

10          “(h) OIL AND GAS-FIRED UNITS LESS THAN 10  
11 PERCENT OIL CONSUMED.—

12           “(1) After January 1, 2000, it shall be unlawful  
13           for any oil- and gas-fired utility unit whose average  
14           annual fuel consumption during the period 1980  
15           through 1989 on a Btu basis exceeded 90 percent in  
16           the form of natural gas to exceed an annual sulfur  
17           dioxide tonnage limitation equal to the product of  
18           the unit’s baseline multiplied by the unit’s actual  
19           1985 emissions rate divided by 2,000 unless the  
20           owner or operator of such unit holds allowances to  
21           emit not less than the unit’s total annual emissions  
22           or, for a year after 2007, unless the owner or oper-  
23           ator of the source that includes such unit holds al-  
24           lowances to emit not less than the total annual emis-  
25           sions of all affected units at the source.



1           “(2) In addition to allowances allocated pursu-  
2           ant to paragraph (1) and section 412(a) as basic  
3           Phase II allowance allocations, beginning January 1,  
4           2000, and for each calendar year thereafter until  
5           and including 2009, the Administrator shall allocate  
6           annually for each unit subject to the emissions limi-  
7           tation requirements of paragraph (1) allowances  
8           from the reserve created pursuant to subsection  
9           (a)(2) in an amount equal to the unit’s baseline mul-  
10          tplied by 0.050 lbs/mmBtu, divided by 2,000.

11           “(3) In addition to allowances allocated pursu-  
12           ant to paragraph (1) and section 412(a), beginning  
13           January 1, 2010, the Administrator shall allocate  
14           annually for each unit subject to the emissions limi-  
15           tation requirements of paragraph (1) allowances in  
16           an amount equal to the unit’s baseline multiplied by  
17           0.050 lbs/mmBtu, divided by 2,000.

18           “(i) UNITS IN HIGH GROWTH STATES.—

19           “(1) In addition to allowances allocated pursu-  
20           ant to this section and section 412(a) as basic Phase  
21           II allowance allocations, beginning January 1, 2000,  
22           the Administrator shall allocate annually allowances  
23           for each unit, subject to an emissions limitation re-  
24           quirement under this section, and located in a State  
25           that—



1           “(A) has experienced a growth in popu-  
2           lation in excess of 25 percent between 1980 and  
3           1988 according to State Population and House-  
4           hold Estimates, With Age, Sex, and Compo-  
5           nents of Change: 1981–1988 allocated by the  
6           United States Department of Commerce, and

7           “(B) had an installed electrical generating  
8           capacity of more than 30,000,000 kw in 1988,  
9           in an amount equal to the difference between  
10          (A) the number of allowances that would be al-  
11          located for the unit pursuant to the emissions  
12          limitation requirements of this section applica-  
13          ble to the unit adjusted to reflect the unit’s an-  
14          nual average fuel consumption on a Btu basis  
15          of any three consecutive calendar years between  
16          1980 and 1989 (inclusive) as elected by the  
17          owner or operator and (B) the number of allow-  
18          ances allocated for the unit pursuant to the  
19          emissions limitation requirements of this sec-  
20          tion: *Provided*, That the number of allowances  
21          allocated pursuant to this subsection shall not  
22          exceed an annual total of 40,000. If necessary  
23          to meeting the 40,000 allowance restriction im-  
24          posed under this subsection the Administrator  
25          shall reduce, pro rata, the additional annual al-





1 allowances allocated to each unit under this sub-  
2 section.

3 “(2) Beginning January 1, 2000, in addition to  
4 allowances allocated pursuant to this section and  
5 section 403(a)(1) as basic Phase II allowance alloca-  
6 tions, the Administrator shall allocate annually for  
7 each unit subject to the emissions limitation require-  
8 ments of subsection (b)(1)—

9 “(A) the lesser of whose actual or allow-  
10 able 1980 emissions rate has declined by 50  
11 percent or more as of November 15, 1990,

12 “(B) whose actual emissions rate is less  
13 than 1.2 lbs/mmBtu as of January 1, 2000,

14 “(C) which commenced operation after  
15 January 1, 1970,

16 “(D) which is owned by a utility company  
17 whose combined commercial and industrial kilo-  
18 watt-hour sales have increased by more than 20  
19 percent between calendar year 1980 and No-  
20 vember 15, 1990, and

21 “(E) whose company-wide fossil-fuel sulfur  
22 dioxide emissions rate has declined 40 percent  
23 or more from 1980 to 1988, allowances in an  
24 amount equal to the difference between—



1           “(i) the number of allowances that  
2           would be allocated for the unit pursuant to  
3           the emissions limitation requirements of  
4           subsection (b)(1) adjusted to reflect the  
5           unit’s annual average fuel consumption on  
6           a Btu basis for any three consecutive years  
7           between 1980 and 1989 (inclusive) as  
8           elected by the owner or operator, and

9           “(ii) the number of allowances allo-  
10          cated for the unit pursuant to the emis-  
11          sions limitation requirements of subsection  
12          (b)(1): *Provided*, That the number of al-  
13          lowances allocated pursuant to this para-  
14          graph shall not exceed an annual total of  
15          5,000. If necessary to meeting the 5,000  
16          allowance restriction imposed in the last  
17          clause of the preceding sentence the Ad-  
18          ministrators shall reduce, pro rata, the ad-  
19          ditional allowances allocated to each unit  
20          pursuant to this paragraph.

21          “(j) CERTAIN MUNICIPALLY OWNED POWER  
22          PLANTS.—Beginning January 1, 2000, in addition to al-  
23          lowances allocated pursuant to this section and section  
24          412(a) as basic Phase II allowance allocations, the Admin-  
25          istrator shall allocate annually for each existing munic-



1 pally owned oil and gas-fired utility unit with nameplate  
2 capacity equal to, or less than, 40 MWe, the lesser of  
3 whose actual or allowable 1985 sulfur dioxide emission  
4 rate is less than 1.20 lbs/mmBtu, allowances in an amount  
5 equal to the product of the unit's annual fuel consumption  
6 on a Btu basis at a 60 percent capacity factor multiplied  
7 by the lesser of its allowable 1985 emission rate or its  
8 actual 1985 emission rate, divided by 2,000.

9 **“SEC. 415. ALLOWANCES FOR STATES WITH EMISSIONS**  
10 **RATES AT OR BELOW 0.80 LBS/MMBTU.**

11 “(a) ELECTION OF GOVERNOR.—In addition to basic  
12 Phase II allowance allocations, upon the election of the  
13 Governor of any State, with a 1985 statewide annual sul-  
14 fur dioxide emissions rate equal to or less than, 0.80 lbs/  
15 mmBtu, averaged over all fossil fuel-fired utility steam  
16 generating units, beginning January 1, 2000, and for each  
17 calendar year thereafter until and including 2009, the Ad-  
18 ministrator shall allocate, in lieu of other Phase II bonus  
19 allowance allocations, allowances from the reserve created  
20 pursuant to section 414(a)(2) to all such units in the State  
21 in an amount equal to 125,000 multiplied by the unit's  
22 pro rata share of electricity generated in calendar year  
23 1985 at fossil fuel-fired utility steam units in all States  
24 eligible for the election.



1           “(b) NOTIFICATION OF ADMINISTRATOR.—Pursuant  
2 to section 412(a), each Governor of a State eligible to  
3 make an election under paragraph (a) shall notify the Ad-  
4 ministrator of such election. In the event that the Gov-  
5 ernor of any such State fails to notify the Administrator  
6 of the Governor’s elections, the Administrator shall allo-  
7 cate allowances pursuant to section 414.

8           “(c) ALLOWANCES AFTER JANUARY 1, 2010.—After  
9 January 1, 2010, the Administrator shall allocate allow-  
10 ances to units subject to the provisions of this section pur-  
11 suant to section 414.

12 **“SEC. 416. ELECTION FOR ADDITIONAL SOURCES.**

13           “(a) APPLICABILITY.—The owner or operator of any  
14 unit that is not, nor will become, an affected unit under  
15 section 412(b), 413, or 414, that emits sulfur dioxide, may  
16 elect to designate that unit or source to become an af-  
17 fected unit and to receive allowances under this subpart.  
18 An election shall be submitted to the Administrator for  
19 approval, along with a permit application and proposed  
20 compliance plan in accordance with section 404. The Ad-  
21 ministrator shall approve a designation that meets the re-  
22 quirements of this section, and such designated unit shall  
23 be allocated allowances, and be an affected unit for pur-  
24 poses of this subpart.



1       “(b) ESTABLISHMENT OF BASELINE.—The baseline  
2 for a unit designated under this section shall be estab-  
3 lished by the Administrator by regulation, based on fuel  
4 consumption and operating data for the unit for calendar  
5 years 1985, 1986, and 1987, or if such data is not avail-  
6 able, the Administrator may prescribe a baseline based on  
7 alternative representative data.

8       “(c) EMISSION LIMITATIONS.—

9               “(1) For a unit for which an election, along  
10 with a permit application and compliance plan, is  
11 submitted to the Administrator under paragraph (a)  
12 before January 1, 2002, annual emissions limita-  
13 tions for sulfur dioxide shall be equal to the product  
14 of the baseline multiplied by the lesser of the unit’s  
15 1985 actual or allowable emission rate in lbs/  
16 mmBtu, or if the unit did not operate in 1985, by  
17 the lesser of the unit’s actual or allowable emission  
18 rate for a calendar year after 1985 (as determined  
19 by the Administrator), divided by 2,000.

20               “(2) For a unit for which an election, along  
21 with a permit application and compliance plan, is  
22 submitted to the Administrator under paragraph (a)  
23 on or after January 1, 2002, annual emissions limi-  
24 tations for sulfur dioxide shall be equal to the prod-  
25 uct of the baseline multiplied by the lesser of the



1 unit's 1985 actual or allowable emission rate in lbs/  
2 mmBtu, or, if the unit did not operate in 1985, by  
3 the lesser of the unit's actual or allowable emission  
4 rate for a calendar year after 1985 (as determined  
5 by the Administrator), divided by 4,000.

6 “(d) ALLOWANCES AND PERMITS.—The Adminis-  
7 trator shall issue allowances to an affected unit under this  
8 section in an amount equal to the emissions limitation cal-  
9 culated under subsection (c), in accordance with section  
10 412. Such allowance may be used in accordance with, and  
11 shall be subject to, the provisions of section 412. Affected  
12 sources under this section shall be subject to the require-  
13 ments of sections 404, 405, 406, and 412.

14 “(e) LIMITATION.—Any unit designated under this  
15 section shall not transfer or bank allowances produced as  
16 a result of reduced utilization or shutdown, except that,  
17 such allowances may be transferred or carried forward for  
18 use in subsequent years to the extent that the reduced  
19 utilization or shutdown results from the replacement of  
20 thermal energy from the unit designated under this sec-  
21 tion, with thermal energy generated by any other unit or  
22 units subject to the requirements of this subpart, and the  
23 designated unit's allowances are transferred or carried for-  
24 ward for use at such other replacement unit or units. In  
25 no case may the Administrator allocate to a source des-



1 ignited under this section allowances in an amount great-  
2 er than the emissions resulting from operation of the  
3 source in full compliance with the requirements of this  
4 Act. No such allowances shall authorize operation of a unit  
5 in violation of any other requirements of this Act.

6 “(f) IMPLEMENTATION.—The Administrator shall  
7 implement this section under 40 CFR part 74 (2002),  
8 amended as appropriate by the Administrator.

9 **“SEC. 417. AUCTIONS, RESERVE.**

10 “(a) SPECIAL RESERVE OF ALLOWANCES.—For pur-  
11 poses of establishing the Special Allowance Reserve, the  
12 Administrator shall withhold—

13 “(1) 2.8 percent of the allocation of allowances  
14 for each year from 1995 through 1999 inclusive; and

15 “(2) 2.8 percent of the basic Phase II allowance  
16 allocation of allowances for each year beginning in  
17 the year 2000

18 which would (but for this subsection) be issued for each  
19 affected unit at an affected source. The Administrator  
20 shall record such withholding for purposes of transferring  
21 the proceeds of the allowance sales under this subsection.  
22 The allowances so withheld shall be deposited in the Re-  
23 serve under this section.

24 “(b) AUCTION SALES.—



1           “(1) SUBACCOUNT FOR AUCTIONS.—The Ad-  
2           ministrators shall establish an Auction Subaccount in  
3           the Special Reserve established under this section.  
4           The Auction Subaccount shall contain allowances to  
5           be sold at auction under this section in the amount  
6           of 150,000 tons per year for each year from 1995  
7           through 1999, inclusive and 250,000 tons per year  
8           for each year from 2000 through 2009, inclusive.

9           “(2) ANNUAL AUCTIONS.—Commencing in  
10          1993 and in each year thereafter until 2010, the Ad-  
11          ministrators shall conduct auctions at which the al-  
12          lowances referred to in paragraph (1) shall be of-  
13          fered for sale in accordance with regulations promul-  
14          gated by the Administrator. The allowances referred  
15          to in paragraph (1) shall be offered for sale at auc-  
16          tion in the amounts specified in table C. The auction  
17          shall be open to any person. A person wishing to bid  
18          for such allowances shall submit (by a date set by  
19          the Administrator) to the Administrator (on a sealed  
20          bid schedule provided by the Administrator) offers to  
21          purchase specified numbers of allowance at speci-  
22          fied prices. Such regulations shall specify that the  
23          auctioned allowances shall be allocated and sold on  
24          the basis of bid price, starting with the highest-  
25          priced bid and continuing until all allowances for





1 sale at such auction have been allocated. The regula-  
 2 tions shall not permit that a minimum price be set  
 3 for the purchase of withheld allowances. Allowances  
 4 purchased at the auction may be used for any pur-  
 5 pose and at any time after the auction, subject to  
 6 the provisions of this subpart and subpart 2.

“TABLE C.—NUMBER OF ALLOWANCES AVAILABLE FOR AUCTION

Year of sale	Spot auction (same year)	Advance auction
1993 .....	50,000*	100,000
1994 .....	50,000*	100,000
1995 .....	50,000*	100,000
1996 .....	150,000	100,000
1997 .....	150,000	100,000
1998 .....	150,000	100,000
1999 .....	150,000	100,000
2000 .....	125,000	125,000
2001 .....	125,000	125,000
2002 .....	125,000	125,000
2003 .....	125,000	0
2004–2009 .....	125,000	0

Allowances sold in the spot sale in any year are allowances which may be used only in that year (unless banked for use in a later year), except as otherwise noted. Allowances sold in the advance auction in any year are allowances which may only be used in the 7th year after the year in which they are first offered for sale (unless banked for use in a later year).

\*Available for use only in 1995 (unless banked for use in a later year).

7 “(3) PROCEEDS.—  
 8 “(A) TRANSFER.—Notwithstanding section  
 9 3302 of title 31 of the United States Code or  
 10 any other provision of law, within 90 days of re-  
 11 ceipt, the Administrator shall transfer the pro-  
 12 ceeds from the auction under this section, on a  
 13 pro rata basis, to the owners or operators of the  
 14 affected units at an affected source from whom



1 allowances were withheld under subsection (b).  
2 No funds transferred from a purchaser to a  
3 seller of allowances under this paragraph shall  
4 be held by any officer or employee of the United  
5 States or treated for any purpose as revenue to  
6 the United States or the Administrator.

7 “(B) RETURN.—At the end of each year,  
8 any allowances offered for sale but not sold at  
9 the auction shall be returned without charge, on  
10 a pro rata basis, to the owner or operator of the  
11 affected units from whose allocation the allow-  
12 ances were withheld. With 170 days after the  
13 date of enactment of the Clear Skies Act of  
14 2003, any allowance withheld under paragraph  
15 (a)(2) but not offered for sale at an auction  
16 shall be returned without charge, on a pro rata  
17 basis, to the owner or operator of the affected  
18 units from whose allocation the allowances were  
19 withheld.

20 “(4) RECORDING BY EPA.—The Administrator  
21 shall record and publicly report the nature, prices  
22 and results of each auction under this subsection, in-  
23 cluding the prices of successful bids, and shall  
24 record the transfers of allowances as a result of each  
25 auction in accordance with the requirements of this



1 section. The transfer of allowances at such auction  
2 shall be recorded in accordance with the regulations  
3 promulgated by the Administrator under this sub-  
4 part.

5 “(c) CHANGES IN AUCTIONS AND WITHHOLDING.—  
6 Pursuant to rulemaking after public notice and comment  
7 the Administrator may at any time after the year 1998  
8 (in the case of advance auctions) and 2005 (in the case  
9 of spot auctions) decrease the number of allowances with-  
10 held and sold under this section.

11 “(d) TERMINATION OF AUCTIONS.—Not later than  
12 the commencement date of the sulfur dioxide allowance re-  
13 quirement under section 422, the Administrator shall ter-  
14 minate the withholding of allowances and the auction sales  
15 under this section. Pursuant to regulations under this sec-  
16 tion, the Administrator may be delegation or contract pro-  
17 vide for the conduct of sales or auctions under the Admin-  
18 istrator’s supervision by other departments or agencies of  
19 the United States Government or by nongovernmental  
20 agencies, groups, or organizations.

21 “(e) The Administrator shall implement this section  
22 under 40 CFR part 73 (2002), amended as appropriate  
23 by the Administrator.



1 **“SEC. 418. INDUSTRIAL SO<sub>2</sub> EMISSIONS.**

2 “(a) REPORT.—Not later than January 1, 1995 and  
3 every 5 years thereafter, the Administrator shall transmit  
4 to the Congress a report containing an inventory of na-  
5 tional annual sulfur dioxide emissions from industrial  
6 sources (as defined in section 411(11)), including units  
7 subject to section 414(g)(2), for all years for which data  
8 are available, as well as the likely trend in such emission  
9 over the following twenty-year period. The reports shall  
10 also contain estimates of the actual emission reduction in  
11 each year resulting from promulgation of the diesel fuel  
12 desulfurization regulations under section 214.

13 “(b) 5.60 MILLION TON CAP.—Whenever the inven-  
14 tory required by this section indicates that sulfur dioxide  
15 emissions from industrial sources, including units subject  
16 to section 414(g)(2), and may reasonably be expected to  
17 reach levels greater than 5.60 million tons per year, the  
18 Administrator shall take such actions under the Act as  
19 may be appropriate to ensure that such emissions do not  
20 exceed 5.60 million tons per year. Such actions may in-  
21 clude the promulgation of new and revised standards of  
22 performance for new sources, including units subject to  
23 section 414(g)(2), under section 111(b), as well as pro-  
24 mulgation of standards of performance for existing  
25 sources, including units subject to section 414(g)(2),  
26 under authority of this section. For an existing source reg-



1 ulated under this section, ‘standard of performance’  
2 means a standard which the Administrator determines is  
3 applicable to that source and which reflects the degree of  
4 emission reduction achievable through the application of  
5 the best system of continuous emission reduction which  
6 (taking into consideration the cost of achieving such emis-  
7 sion reduction, and any nonair quality health and environ-  
8 mental impact and energy requirements) the Adminis-  
9 trator determines has been adequately demonstrated for  
10 that category of sources.

11 “(c) ELECTION.—Regulations promulgated under  
12 section 414(b) shall not prohibit a source from electing  
13 to become an affected unit under section 417.

14 **“SEC. 419. TERMINATION.**

15 “Starting January 1, 2010, the owners or operators  
16 of affected units and affected facilities under sections  
17 412(b) and (c) and 416 and shall no longer be subject  
18 to the requirements of sections 412 through 417.

19 **“Subpart 2—Clear Skies Sulfur Dioxide Allowance**  
20 **Program**

21 **“SEC. 421. DEFINITIONS.**

22 “For purposes of this subpart—

23 “(1) The term ‘affected EGU’ means—

24 “(A) for a unit serving a generator before  
25 the date of enactment of the Clear Skies Act of



1           2003, a unit in a State serving a generator with  
2           a nameplate capacity of greater than 25  
3           megawatts that produced or produces electricity  
4           for sale during 2002 or any year thereafter, ex-  
5           cept for a cogeneration unit that produced or  
6           produces electricity for sale equal to or less  
7           than one-third of the potential electrical output  
8           of the generator that it served or serves during  
9           2002 and each year thereafter; and

10           “(B) for a unit commencing service of a  
11           generator on or after the date of enactment of  
12           the Clear Skies Act of 2003, a unit in a State  
13           serving a generator that produces electricity for  
14           sale during any year starting with the year the  
15           unit commences service of a generator, except  
16           for a gas-fired unit serving one or more genera-  
17           tors with total nameplate capacity of 25  
18           megawatts or less, or a cogeneration unit that  
19           produces electricity for sale equal to or less  
20           than one-third of the potential electrical output  
21           of the generator that it serves, during each year  
22           starting with the year the unit commences serv-  
23           ices of a generator.

24           Notwithstanding paragraphs (A) and (B), the term  
25           ‘affected EGU’ does not include a solid waste incin-



1       eration unit subject to section 129 or a unit for the  
2       treatment, storage, or disposal of hazardous waste  
3       subject to section 3005 of the Solid Waste Disposal  
4       Act.

5               “(2) The term ‘coal-fired’ with regard to a unit  
6       means, for purposes of section 424, combusting coal  
7       or any coal-derived fuel alone or in combination with  
8       any amount of any other fuel in any year during  
9       1998 through 2002 or, for a unit that commenced  
10      operation during 2001–2004, a unit designed to  
11      combust coal or any coal-derived fuel alone or in  
12      combination with any other fuel.

13              “(3) The term ‘Eastern bituminous’ means bi-  
14      tuminous that is from a mine located in a State east  
15      of the Mississippi River.

16              “(4) The term ‘general account’ means an ac-  
17      count in the Allowance Tracking System under sec-  
18      tion 403(c) established by the Administrator for any  
19      person under 40 CFR § 73.31(c) (2002), amended  
20      as appropriate by the Administrator.

21              “(5) The term ‘oil-fired’ with regard to a unit  
22      means, for purposes of section 424, combusting fuel  
23      oil for more than 10 percent of the unit’s total heat  
24      input, and combusting no coal or coal-derived fuel,  
25      in any year during 1998 through 2002 or, for a unit



1 that commenced operation during 2001–2004, a unit  
2 designed to combust oil for more than 10 percent of  
3 the unit’s total heat input and not to combust any  
4 coal or coal-derived fuel coal.

5 “(6) The term ‘unit account’ means an account  
6 in the Allowance Tracking System under section  
7 403(c) established by the Administrator for any unit  
8 under 40 CFR § 73.31(a) and (b) (2002), amended  
9 as appropriate by the Administrator.

10 **“SEC. 422. APPLICABILITY.**

11 “(a) PROHIBITION.—Starting January 1, 2010, it  
12 shall be unlawful for the affected EGUs at a facility to  
13 emit a total amount of sulfur dioxide during the year in  
14 excess of the number of sulfur dioxide allowances held for  
15 such facility for that year by the owner or operator of the  
16 facility.

17 “(b) ALLOWANCES HELD.—Only sulfur dioxide al-  
18 lowances under section 423 shall be held in order to meet  
19 the requirements of subsection (a), except as provided  
20 under section 425.

21 **“SEC. 423. LIMITATIONS ON TOTAL EMISSIONS.**

22 “For affected EGUs for 2010 and each year there-  
23 after, the Administrator shall allocate sulfur dioxide allow-  
24 ances under section 424, and shall conduct auctions of sul-





1 fur dioxide allowances under section 409, in the amounts  
 2 in Table A.

“TABLE A.—TOTAL SO<sub>2</sub> ALLOWANCES ALLOCATED OR  
 AUCTIONED FOR EGUS

Year	SO <sub>2</sub> allow- ances allocated	SO <sub>2</sub> allow- ances auctioned
2010 .....	4,371,666	45,000
2011 .....	4,326,667	90,000
2012 .....	4,281,667	135,000
2013 .....	4,320,000	180,000
2014 .....	4,275,000	225,000
2015 .....	4,230,000	270,000
2016 .....	4,185,000	315,000
2017 .....	4,140,000	360,000
2018 .....	2,730,000	270,000
2019 .....	2,700,000	300,000
2020 .....	2,670,000	330,000
2021 .....	2,640,000	360,000
2022 .....	2,610,000	390,000
2023 .....	2,580,000	420,000
2024 .....	2,550,000	450,000
2025 .....	2,520,000	480,000
2026 .....	2,490,000	510,000
2027 .....	2,460,000	540,000
2028 .....	2,430,000	570,000
2029 .....	2,400,000	600,000
2030 .....	2,325,000	675,000
2031 .....	2,250,000	750,000
2032 .....	2,175,000	825,000
2033 .....	2,100,000	900,000
2034 .....	2,025,000	975,000
2035 .....	1,950,000	1,050,000
2036 .....	1,875,000	1,125,000
2037 .....	1,800,000	1,200,000
2038 .....	1,725,000	1,275,000
2039 .....	1,650,000	1,350,000
2040 .....	1,575,000	1,425,000
2041 .....	1,500,000	1,500,000
2042 .....	1,425,000	1,575,000
2043 .....	1,350,000	1,650,000
2044 .....	1,275,000	1,725,000
2045 .....	1,200,000	1,800,000
2046 .....	1,125,000	1,875,000
2047 .....	1,050,000	1,950,000
2048 .....	975,000	2,025,000
2049 .....	900,000	2,100,000
2050 .....	825,000	2,175,000
2051 .....	750,000	2,250,000
2052 .....	675,000	2,325,000
2053 .....	600,000	2,400,000
2054 .....	525,000	2,475,000



“TABLE A.—TOTAL SO<sub>2</sub> ALLOWANCES ALLOCATED OR AUCTIONED FOR EGUS—Continued

Year	SO <sub>2</sub> allow- ances allocated	SO <sub>2</sub> allow- ances auctioned
2055 .....	450,000	2,550,000
2056 .....	375,000	2,625,000
2057 .....	300,000	2,700,000
2058 .....	225,000	2,775,000
2059 .....	150,000	2,850,000
2060 .....	75,000	2,925,000
2061 .....	0	3,000,000

1 **“SEC. 424. EGU ALLOCATIONS.**

2       “(a) IN GENERAL.—Not later than 24 months before  
3 the commencement date of the sulfur dioxide allowance re-  
4 quirement of section 422, the Administrator shall promul-  
5 gate regulations determining allocations of sulfur dioxide  
6 allowances for affected EGUs for each year during 2010  
7 through 2060. The regulations shall provide that:

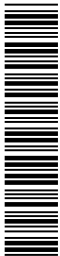
8               “(1)(A) 95 percent of the total amount of sul-  
9 fur dioxide allowances allocated each year under sec-  
10 tion 423 shall be allocated based on the sulfur diox-  
11 ide allowances that were allocated under subpart 1  
12 for 2010 or thereafter and are held in unit accounts  
13 and general accounts in the Allowance Tracking Sys-  
14 tem under section 403(c).

15               “(B) The Administrator shall allocate sulfur di-  
16 oxide allowances to each facility’s account and each  
17 general account in the Allowance Tracking System  
18 under section 403(c) as follows:



1           “(i) For each unit account and each gen-  
2           eral account in the Allowance Tracking System,  
3           the Administrator shall determine the total  
4           amount of sulfur dioxide allowances allocated  
5           under subpart 1 for 2010 and thereafter that  
6           are recorded, as of 12:00 noon, Eastern Stand-  
7           ard time, on the date 180 days after enactment  
8           of the Clear Skies Act of 2003. The Adminis-  
9           trator shall determine this amount in accord-  
10          ance with 40 CFR part 73 (2002), amended as  
11          appropriate by the Administrator, except that  
12          the Administrator shall apply a discount rate of  
13          7 percent for each year after 2010 to the  
14          amounts of sulfur dioxide allowances allocated  
15          for 2011 or later.

16          “(ii) For each unit account and each gen-  
17          eral account in the Allowance Tracking System,  
18          the Administrator shall determine an amount of  
19          sulfur dioxide allowances equal to the allocation  
20          amount under subparagraph (A) multiplied by  
21          the ratio of the amount of sulfur dioxide allow-  
22          ances determined to be recorded in that account  
23          under clause (i) to the total amount of sulfur  
24          dioxide allowances determined to be recorded in



1 all unit accounts and general accounts in the  
2 Allowance Tracking System under clause (i).

3 “(iii) The Administrator shall allocate to  
4 each facility’s account in the Allowance Track-  
5 ing System an amount of sulfur dioxide allow-  
6 ances equal to the total amount of sulfur diox-  
7 ide allowances determined under clause (ii) for  
8 the unit accounts of the units at the facility and  
9 shall allocate to each general account in the Al-  
10 lowance Tracking System the amount of sulfur  
11 dioxide allowances determined under clause (ii)  
12 for that general account.

13 “(2)(A) 3 ½ percent of the total amount of sul-  
14 fur dioxide allowances allocated each year under sec-  
15 tion 423 shall be allocated for units at a facility that  
16 are affected EGUs as of December 31, 2004, that  
17 commenced operation before January 1, 2001, and  
18 that are not allocated any sulfur dioxide allowances  
19 under subpart 1.

20 “(B) The Administrator shall allocate each year  
21 for the units under subparagraph (A) an amount of  
22 sulfur dioxide allowances determined by:

23 “(i) For such units at the facility that are  
24 coal-fired, multiplying 0.40 lb/mmBtu by the



1 total baseline heat input of such units and con-  
2 verting to tons.

3 “(ii) For such units at the facility that are  
4 oil-fired, multiplying 0.20 lb/mmBtu by the  
5 total baseline heat input of such units and con-  
6 verting to tons.

7 “(iii) For all such other units at the facil-  
8 ity that are not covered by clause (i) or (ii),  
9 multiplying 0.05 lb/mmBtu by the total baseline  
10 heat input of such units and converting to tons.

11 “(iv) If the total of the amounts for all fa-  
12 cilities under clauses (i), (ii), and (iii) exceeds  
13 the allocation amount under subparagraph (A),  
14 multiplying the allocation amount under sub-  
15 subparagraph (A) by the ratio of the total of the  
16 amounts for the facility under clauses (i), (ii),  
17 and (iii) to the total of the amounts for all fa-  
18 cilities under clause (i), (ii), and (iii).

19 “(v) Allocating to each facility the lesser of  
20 the total of the amounts for the facility under  
21 clauses (i), (ii), and (iii) or, if the total of the  
22 amounts for all facilities under clauses (i), (ii),  
23 and (iii) exceeds the allocation amount under  
24 subparagraph (A), the amount under clause  
25 (iv). The Administrator shall add to the amount



1 of sulfur dioxide allowances allocated under  
2 paragraph (3) any unallocated allowances under  
3 this paragraph.

4 “(3)(A) 1 ½ percent of the total amount of sul-  
5 fur dioxide allowances allocated each year under sec-  
6 tion 423 shall be allocated for units that are affected  
7 EGUs as of December 31, 2004, that commence op-  
8 eration on or after January 1, 2001 and before Jan-  
9 uary 1, 2005, and that are not allocated any sulfur  
10 dioxide allowances under subpart 1.

11 “(B) The Administrator shall allocate each year  
12 for the units under subparagraph (A) an amount of  
13 sulfur dioxide allowances determined by:

14 “(i) For such units at the facility that are  
15 coal-fired or oil-fired, multiplying 0.19 lb/  
16 mmBtu by the total baseline heat input of such  
17 units and converting to tons.

18 “(ii) For all such other units at the facility  
19 that are not covered by clause (i), multiplying  
20 0.02 lb/mmBtu by the total baseline heat input  
21 of such units and converting to tons.

22 “(iii) If the total of the amounts for all fa-  
23 cilities under clauses (i) and (ii) exceeds the al-  
24 location amount under subparagraph (A), mul-  
25 tiplying the allocation amount under subpara-



1 graph (A) by the ratio of the total of the  
2 amounts for the facility under clauses (i) and  
3 (ii) to the total of the amounts for all facilities  
4 under clauses (i) and (ii).

5 “(iv) Allocating to each facility the lesser  
6 of the total of the amounts for the facility  
7 under clauses (i) and (ii) or, if the total of the  
8 amounts for all facilities under clauses (i) and  
9 (ii) exceeds the allocation amount under sub-  
10 paragraph (A), the amount under clause (iv).  
11 The Administrator shall allocate to the facilities  
12 under paragraphs (1) and (2) on a pro rata  
13 basis (based on the allocations under those  
14 paragraphs) any unallocated allowances under  
15 this paragraph.

16 “(b) FAILURE TO PROMULGATE.—(1) If, by the date  
17 18 months before January 1 of each year 2010 through  
18 2060, the Administrator has signed proposed regulations,  
19 but has not promulgated final regulations, determining al-  
20 locations under subsection (a), the Administrator shall al-  
21 locate, for such year, for each facility where an affected  
22 EGU is located, and for each general account, the amount  
23 of sulfur dioxide allowances specified for that facility and  
24 the general account in such proposed regulations.



1           “(2) If, by the date 18 months before January 1 of  
2 each year 2010 through 2060, the Administrator has not  
3 signed proposed regulations determining allocations under  
4 subsection (a), the Administrator shall:

5           “(A) determine, for such year, for each unit  
6 with coal as its primary or secondary fuel or residual  
7 oil as its primary fuel listed in the Administrator’s  
8 Emissions Scorecard 2001, Appendix B, Table B1  
9 an amount of sulfur dioxide allowances by multi-  
10 plying 95 percent of the allocation amount under  
11 section 423 by the ratio of such unit’s heat input in  
12 the Emissions Scorecard 2001, Appendix B, Table  
13 B1 to the total of the heat input in the Emissions  
14 Scorecard 2001, Appendix B, Table B1 for all units  
15 with coal as their primary or secondary fuel or resid-  
16 ual oil as their primary fuel;

17           “(B) allocate, for such year, for each facility  
18 where a unit under subparagraph (A) is located the  
19 total of the amounts of sulfur dioxide allowances for  
20 the units at such facility determined under subpara-  
21 graph (A); and

22           “(C) auction an amount of sulfur dioxide  
23 allowances equal to 5 percent of the allocation  
24 amount under section 423 and conduct the auc-  
25 tion on the first business day in October fol-





1           lowing the respective promulgation deadline  
2           under paragraph (1) and in accordance with  
3           section 409.

4   **“SEC. 425. DISPOSITION OF SULFUR DIOXIDE ALLOWANCES**  
5                           **ALLOCATED UNDER SUBPART 1.**

6           “(a) REMOVAL FROM ACCOUNTS.—After allocating  
7 allowances under section 424(a)(1), the Administrator  
8 shall remove from the unit accounts and general accounts  
9 in the Allowance Tracking System under section 403(c)  
10 and from the Special Allowances Reserve under section  
11 418 all sulfur dioxide allowances allocated or deposited  
12 under subpart 1 for 2010 or later.

13           “(b) REGULATIONS.—The Administrator shall pro-  
14 mulgate regulations as necessary to assure that the re-  
15 quirement to hold allowances under section 422 may be  
16 met using sulfur dioxide allowances allocated under sub-  
17 part 1 for 1995 through 2009.

18   **“SEC. 426. INCENTIVES FOR SULFUR DIOXIDE EMISSION**  
19                           **CONTROL TECHNOLOGY.**

20           “(a) RESERVE.—The Administrator shall establish a  
21 reserve of 250,000 sulfur dioxide allowances comprising  
22 83,334 sulfur dioxide allowances for 2010, 83,333 sulfur  
23 dioxide allowances for 2011, and 83,333 sulfur dioxide al-  
24 lowances for 2012.



1       “(b) APPLICATION.—Not later than 18 months after  
2 the enactment of the Clear Skies Act of 2003, an owner  
3 or operator of an affected EGU that commenced operation  
4 before 2001 and that during 2001 combusted Eastern bi-  
5 tuminous may submit an application to the Administrator  
6 for sulfur dioxide allowances from the reserve under sub-  
7 section (a). The application shall include each of the fol-  
8 lowing:

9           “(1) A statement that the owner or operator  
10 will install and commence operation of specified sul-  
11 fur dioxide control technology at the unit within 24  
12 months after approval of the application under sub-  
13 section (c) if the unit is allocated the sulfur dioxide  
14 allowances requested under paragraph (4). The  
15 owner or operator shall provide description of the  
16 control technology.

17           “(2) A statement that, during the period start-  
18 ing with the commencement of operation of sulfur  
19 dioxide technology under paragraph (1) through  
20 2009, the unit will combust Eastern bituminous at  
21 a percentage of the unit’s total heat input equal to  
22 or exceeding the percentage of total heat input com-  
23 busted by the unit in 2001 if the unit is allocated  
24 the sulfur dioxide allowances requested under para-  
25 graph (4).



1           “(3) A demonstration that the unit will achieve,  
2 while combusting fuel in accordance with paragraph  
3 (2) and operating the sulfur dioxide control tech-  
4 nology specified in paragraph (1), a specified ton-  
5 nage of sulfur dioxide emission reductions during the  
6 period starting with the commencement of operation  
7 of sulfur dioxide control technology under subpara-  
8 graph (1) through 2009. The tonnage of emission  
9 reductions shall be the difference between emissions  
10 monitored at a location at the unit upstream of the  
11 control technology described in paragraph (1) and  
12 emissions monitored at a location at the unit down-  
13 stream of such control technology, while the unit is  
14 combusting fuel in accordance with paragraph (2).

15           “(4) A request that EPA allocate for the unit  
16 a specified number of sulfur dioxide allowances from  
17 the reserve under subsection (a) for the period start-  
18 ing with the commencement of operation of the sul-  
19 fur dioxide technology under paragraph (1) through  
20 2009.

21           “(5) A statement of the ratio of the number of  
22 sulfur dioxide allowances requested under paragraph  
23 (4) to the tonnage of sulfur dioxide emissions reduc-  
24 tions under paragraph (3).



1           “(c) APPROVAL OR DISAPPROVAL.—By order subject  
2 to notice and opportunity for comment, the Administrator  
3 shall—

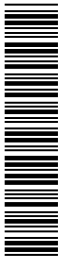
4           “(1) determine whether each application meets  
5 the requirements of subsection (b);

6           “(2) list the applications meeting the require-  
7 ments of subsection (b) and their respective allow-  
8 ance-to-emission-reduction ratios under paragraph  
9 (b)(5) in order, from lowest to highest, of such ra-  
10 tios;

11           “(3) for each application listed under paragraph  
12 (2), multiply the amount of sulfur dioxide emission  
13 reductions requested by each allowance-to-emission-  
14 reduction ratio on the list that equals or is less than  
15 the ratio for the application;

16           “(4) sum, for each allowance-to-emission-reduc-  
17 tion ratio in the list under paragraph (2), the  
18 amounts of sulfur dioxide allowances determined  
19 under paragraph (3);

20           “(5) based on the calculations in paragraph (4),  
21 determine which allowance-to-emission-reduction  
22 ratio on the list under paragraph (2) results in the  
23 highest total amount of allowances that does not ex-  
24 ceed 250,000 allowances; and



1           “(6) approve each application listed under para-  
2           graph (2) with a ratio equal to or less than the al-  
3           lowance-to-emission-reduction ratio determined  
4           under paragraph (5) and disapprove all the other  
5           applications.

6           “(d) MONITORING.—An owner or operator whose ap-  
7           plication is approved under subsection (c) shall install, and  
8           quality assure data from, a CEMS for sulfur dioxide lo-  
9           cated upstream of the sulfur dioxide control technology  
10          under paragraph (b)(1) at the unit and a CEMS for sulfur  
11          dioxide located downstream of such control technology at  
12          the unit during the period starting with the commence-  
13          ment of operation of such control technology through  
14          2009. The installation of the CEMS and the quality assur-  
15          ance of data shall be in accordance with subparagraph  
16          (a)(2)(B) and subsections (c) through (e) of section 405,  
17          except that, where two or more units utilize a single stock,  
18          separate monitoring shall be required for each unit.

19          “(e) ALLOCATIONS.—Not later than 6 months after  
20          the commencement date of the sulfur dioxide allowance  
21          requirement of section 422, for the units for which appli-  
22          cations are approved under subsection (c), the Adminis-  
23          trator shall allocate sulfur dioxide allowances as follows:

24                  “(1) For each unit, the Administrator shall  
25                  multiply the allowance-to-emission-reduction ratio of



1 the last application that EPA approved under sub-  
2 section (c) by the lesser of—

3 “(A) the total tonnage of sulfur dioxide  
4 emissions reductions achieved by the unit, dur-  
5 ing the period starting with the commencement  
6 of operation of the sulfur dioxide control tech-  
7 nology under subparagraph (b)(1) through  
8 2009, through use of such control technology;  
9 or

10 “(B) the tonnage of sulfur dioxide emission  
11 reductions under paragraph (b)(3).

12 “(2) If the total amount of sulfur dioxide allow-  
13 ances determined for all units under paragraph (1)  
14 exceeds 250,000 sulfur dioxide allowances, the Ad-  
15 ministrator shall multiply 250,000 sulfur dioxide al-  
16 lowances by the ratio of the amount of sulfur dioxide  
17 allowances determined for each unit under para-  
18 graph (1) to the total amount of sulfur dioxide al-  
19 lowances determined for all units under paragraph  
20 (1).

21 “(3) The Administrator shall allocate to each  
22 unit the lesser of the amount determined for that  
23 unit under paragraph (1) or, if the total amount of  
24 sulfur dioxide allowances determined for all units  
25 under paragraph (1) exceeds 250,000 sulfur dioxide



1 allowances, under paragraph (2). The Administrator  
2 shall auction any unallocated allowances from the re-  
3 serve under this section and conduct the auction by  
4 the first business day in October 2010 and in ac-  
5 cordance with section 409.

6 **“Subpart 3—Western Regional Air Partnership**

7 **“SEC. 431. DEFINITIONS.**

8 “For purposes of this subpart—

9 “(1) The term ‘adjusted baseline heat input’  
10 means the average annual heat input used by a unit  
11 during the 3 years in which the unit had the highest  
12 heat input for the period from the 8th through the  
13 4th year before the first covered year.

14 “(A) Notwithstanding paragraph (1), if a  
15 unit commences operation during such period  
16 and—

17 “(i) on or after January 1 of the fifth  
18 year before the first covered year, then ‘ad-  
19 justed baseline heat input’ shall mean the  
20 average annual heat input used by the unit  
21 during the fifth and 4th years before the  
22 first covered year; and

23 “(ii) on or after January 1 of the 4th  
24 year before the first covered year, then ‘ad-  
25 justed baseline heat input’ shall mean the



1 annual heat input used by the unit during  
2 the 4th year before the first covered year.

3 “(B) A unit’s heat input for a year shall  
4 be the heat input—

5 “(i) required to be reported under sec-  
6 tion 405 for the unit, if the unit was re-  
7 quired to report heat input during the year  
8 under that section;

9 “(ii) reported to the Energy Informa-  
10 tion Administrator for the unit, if the unit  
11 was not required to report heat input  
12 under section 405;

13 “(iii) based on data for the unit re-  
14 ported to the WRAP State where the unit  
15 is located as required by State law, if the  
16 unit was not required to report heat input  
17 during the year under section 405 and did  
18 not report to the Energy Information Ad-  
19 ministration; or

20 “(iv) based on fuel use and fuel heat  
21 content data for the unit from fuel pur-  
22 chase or use records, if the unit was not  
23 required to report heat input during the  
24 year under section 405 and did not report





1 to the Energy Information Administration  
2 and the WRAP State.

3 “(2) The term ‘affected EGU’ means an af-  
4 fected EGU under subpart 2 that is in a WRAP  
5 State and that—

6 “(A) in 2000, emitted 100 tons or more of  
7 sulfur dioxide and was used to produce elec-  
8 tricity for sale; or

9 “(B) in any year after 2000, emits 100  
10 tons or more of sulfur dioxide and is used to  
11 produce electricity for sale.

12 “(3) The term ‘coal-fired’ with regard to a unit  
13 means, for purposes of section 434, a unit com-  
14 busting coal or any coal-derived fuel alone or in com-  
15 bination with any amount of any other fuel in any  
16 year during the period from the 8th through the 4th  
17 year before the first covered year.

18 “(4) The term ‘covered year’ means—

19 “(A)(i) the third year after the year 2018  
20 or later when the total annual sulfur dioxide  
21 emissions of all affected EGUs in the WRAP  
22 States first exceed 271,000 tons; or

23 “(ii) the third year after the year 2013 or  
24 later when the Administrator determines by  
25 regulation that the total annual sulfur dioxide



1 emissions of all affected EGUs in the WRAP  
2 States are reasonably projected to exceed  
3 271,000 tons in 2018 or any year thereafter.  
4 The Administrator may make such determina-  
5 tion only if all the WRAP States submit to the  
6 Administrator a petition requesting that the  
7 Administrator issue such determination and  
8 make all affected EGUs in the WRAP States  
9 subject to the requirements of sections 432  
10 through 434; and

11 “(B) each year after the ‘covered year’  
12 under subparagraph (A).

13 “(5) The term ‘oil-fired’ with regard to a unit  
14 means, for purposes of section 434, a unit com-  
15 busting fuel oil for more than 10 percent of the  
16 unit’s total heat input, and combusting no coal or  
17 coal-derived fuel, in any year during the period from  
18 the eighth through the 4th year before the first cov-  
19 ered year.

20 “(6) The term ‘WRAP State’ means Arizona,  
21 California, Colorado, Idaho, Nevada, New Mexico,  
22 Oregon, Utah, and Wyoming.

23 **“SEC. 432. APPLICABILITY.**

24 “(a) PROHIBITION.—Starting January 1 of the first  
25 covered year, it shall be unlawful for the affected EGUs



1 at a facility to emit a total amount of sulfur dioxide during  
2 the year in excess of the number of sulfur dioxide allow-  
3 ances held for such facility for that year by the owner or  
4 operator of the facility.

5 “(b) ALLOWANCES HELD.—Only sulfur dioxide al-  
6 lowances under section 433 shall be held in order to meet  
7 the requirements of subsection (a).

8 **“SEC. 433. LIMITATIONS ON TOTAL EMISSIONS.**

9 “For affected EGUs, the total amount of sulfur diox-  
10 ide allowances that the Administrator shall allocate for  
11 each covered year under section 434 shall equal 271,000  
12 tons.

13 **“SEC. 434. EGU ALLOCATIONS.**

14 “(a) IN GENERAL.—By January 1 of the year before  
15 the first covered year, the Administrator shall promulgate  
16 regulations determining, for each covered year, the alloca-  
17 tions of sulfur dioxide allowances for the units at a facility  
18 that are affected EGUs as of December 31 of the 4th year  
19 before the covered year by—

20 “(1) for such units at the facility that are coal-  
21 fired, multiplying 0.40 lb/mmBtu by the total ad-  
22 justed baseline heat input of such units and con-  
23 verting to tons;

24 “(2) for such units at the facility that are oil-  
25 fired, multiplying 0.20 lb/mmBtu by the total ad-



1       justed baseline heat input of such units and con-  
2       verting to tons;

3             “(3) for all such other units at the facility that  
4       are not covered by paragraph (1) or (2) multiplying  
5       0.05 lb/mmBtu by the total adjusted baseline heat  
6       input of such units and converting to tons; and

7             “(4) multiplying the allocation amount under  
8       section 433 by the ratio of the total of the amounts  
9       for the facility under paragraphs (1), (2), and (3) to  
10      the total of the amounts for all facilities under para-  
11      graphs (1), (2), and (3).

12       “(b) FAILURE TO PROMULGATE.—(1) For each cov-  
13      ered year, if, by the date 18 months before January 1 of  
14      such year, the Administrator has signed proposed regula-  
15      tions but has not promulgated final regulations deter-  
16      mining allocations under paragraph (a), then the Adminis-  
17      trator shall allocate, for such year, for each facility where  
18      an affected EGU is located the amount of sulfur dioxide  
19      allowances specified for that facility in such proposed reg-  
20      ulations.

21       “(2) For each covered year, if, by the date 18 months  
22      before January 1 of such year, the Administrator has not  
23      signed proposed regulations determining allocations under  
24      subsection (a), the Administrator shall:



1           “(A) determine, for such year, for each affected  
2 EGU with coal as its primary or secondary fuel or  
3 residual oil as its primary fuel listed in the Adminis-  
4 trator’s Emissions Scorecard 2001, Appendix B,  
5 Table B1 an amount of sulfur dioxide allowances by  
6 multiplying 95 percent of the allocation amount  
7 under section 433 by the ratio of such unit’s heat  
8 input in the Emissions Scorecard 2001, Appendix B,  
9 Table B1 to the total of the heat input in the Emis-  
10 sions Scorecard 2001, Appendix B, Table B1 for all  
11 affected EGUs with coal as their primary or sec-  
12 ondary fuel or residual oil as their primary fuel;

13           “(B) allocate, for such year, for each facil-  
14 ity where a unit under subparagraph (A) is lo-  
15 cated the total the amounts of sulfur dioxide al-  
16 lowances for the units at such facility deter-  
17 mined under subparagraph (A); and

18           “(C) auction an amount of sulfur dioxide  
19 allowances equal to 5 percent of the allocation  
20 amount under section 433 and conduct the auc-  
21 tion on the first business day in October fol-  
22 lowing the respective promulgation deadline  
23 under paragraph (1) and in accordance with  
24 section 409.



1           **“PART C—NITROGEN OXIDES CLEAR SKIES**

2                           **EMISSION REDUCTIONS**

3                                   **“Subpart 1—Acid Rain Program**

4   **“SEC. 441. NITROGEN OXIDES EMISSION REDUCTION PRO-**  
5                           **GRAM.**

6           “(a) **APPLICABILITY.**—On the date that a coal-fired  
7 utility unit becomes an affected unit pursuant to sections  
8 413 or 414, or on the date a unit subject to the provisions  
9 of section 413(d), must meet the SO<sub>2</sub> reduction require-  
10 ments, each such unit shall become an affected unit for  
11 purposes of this section and shall be subject to the emis-  
12 sion limitations for nitrogen oxides set forth herein.

13           “(b) **EMISSION LIMITATIONS.**—(1) The Adminis-  
14 trator shall by regulation establish annual allowable emis-  
15 sion limitations for nitrogen oxides for the types of utility  
16 boilers listed below, which limitations shall not exceed the  
17 rates listed below: Provided, That the Administrator may  
18 set a rate higher than that listed for any type of utility  
19 boiler if the Administrator finds that the maximum listed  
20 rate for that boiler type cannot be achieved using low NO<sub>x</sub>  
21 burner technology. The Administrator shall implement  
22 this paragraph under 40 CFR § 76.5 (2002). The max-  
23 imum allowable emission rates are as follows:

24                           “(A) for tangentially fired boilers, 0.45 lb/  
25                           mmBtu; and



1           “(B) for dry bottom wall-fired boilers (other  
2 than units applying cell burner technology), 0.50 lb/  
3 mmBtu. After January 1, 1995, it shall be unlawful  
4 for any unit that is an affected unit on that date  
5 and is of the type listed in this paragraph to emit  
6 nitrogen oxides in excess of the emission rates set by  
7 the Administrator pursuant to this paragraph.

8           “(2) The Administrator shall, by regulation, establish  
9 allowable emission limitations on a lb/mmBtu, annual av-  
10 erage basis, for nitrogen oxides for the following types of  
11 utility boilers:

12           “(A) wet bottom wall-fired boilers;

13           “(B) cyclones;

14           “(C) units applying cell burner technology; and

15           “(D) all other types of utility boilers.

16 The Administrator shall base such rates on the degree of  
17 reduction achievable through the retrofit application of the  
18 best system of continuous emission reduction, taking into  
19 account available technology, costs and energy and envi-  
20 ronmental impacts; and which is comparable to the costs  
21 of nitrogen oxides controls set pursuant to subsection  
22 (b)(1). The Administrator may revise the applicable emis-  
23 sion limitations for tangentially fired and dry bottom,  
24 wall-fired boilers (other than cell burners) to be more  
25 stringent if the Administrator determines that more effec-



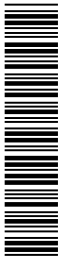
1 tive low NO<sub>x</sub> burned technology is available: Provided,  
2 That, no unit that is an affected unit pursuant to section  
3 413 and that is subject to the requirements of subsection  
4 (b)(1), shall be subject to the revised emission limitations,  
5 if any. The Administrator shall implement that paragraph  
6 under 40 CFR §§ 76.6 and 76.7 (2002).

7 “(c) ALTERNATIVE EMISSION LIMITATIONS.—(1)  
8 The permitting authority shall, upon request of an owner  
9 or operator of a unit subject to this section, authorize an  
10 emission limitation less stringent than the applicable limi-  
11 tation established under subsection (b)(1) or (b)(2) upon  
12 a determination that—

13 “(A) a unit subject to subsection (b)(1) cannot  
14 meet the applicable limitation using low NO<sub>x</sub> burner  
15 technology; or

16 “(B) a unit subject to subsection (b)(2) cannot  
17 meet the applicable rate using the technology on  
18 which the Administrator based the applicable emis-  
19 sion limitation.

20 “(2) The permitting authority shall base such deter-  
21 mination upon a showing satisfactory to the permitting  
22 authority, in accordance with regulations established by  
23 the Administrator, that the owner or operator—





1           “(A) has properly installed appropriate control  
2 equipment designed to meet the applicable emission  
3 rate;

4           “(B) has properly operated such equipment for  
5 a period of 15 months (or such other period of time  
6 as the Administrator determines through the regula-  
7 tions), and provides operating and monitoring data  
8 for such period demonstrating that the unit cannot  
9 meet the applicable emission rate; and

10           “(C) has specified an emission rate that such  
11 unit can meet on an annual average basis. The per-  
12 mitting authority shall issue an operating permit for  
13 the unit in question, in accordance with section 404  
14 and title V—

15           “(i) that permits the unit during the dem-  
16 onstration period referred to in subparagraph  
17 (B), to emit at a rate in excess of the applicable  
18 emission rate;

19           “(ii) at the conclusion of the demonstra-  
20 tion period to revise the operating permit to re-  
21 flect the alternative emission rate demonstrated  
22 in subparagraphs (B) and (C).

23           “(3) Units subject to subsection (b)(1) for which an  
24 alternative emission limitation is established shall not be  
25 required to install any additional control technology be-



1 yond low NO<sub>x</sub> burners. Nothing in this section shall pre-  
2 clude an owner or operator from installing and operating  
3 an alternative NO<sub>x</sub> control technology capable of achiev-  
4 ing the applicable emission limitation. The Administrator  
5 shall implement this subsection under 40 CFR part 76  
6 (2002), amended as appropriate by the Administrator.

7 “(d) EMISSIONS AVERAGING.—(1) In lieu of com-  
8 plying with the applicable emission limitations under sub-  
9 section (b)(1), (2), or (c), the owner or operator of two  
10 or more units subject to one or more of the applicable  
11 emission limitations set pursuant to these sections, may  
12 petition the permitting authority for alternative contem-  
13 poraneous annual emission limitations for such units that  
14 ensure that—

15 “(A) the actual annual emission rate in pounds  
16 of nitrogen oxides per million Btu averaged over the  
17 units in question is a rate that is less than or equal  
18 to

19 “(B) the Btu-weighted average annual emission  
20 rate for the same units if they had been operated,  
21 during the same period of time, in compliance with  
22 limitations set in accordance with the applicable  
23 emission rates set pursuant to subsections (b)(1)  
24 and (2).



1           “(2) If the permitting authority determines, in ac-  
2 cordance with regulations issued by the Administrator  
3 that the conditions in paragraph (1) can be met, the per-  
4 mitting authority shall issue operating permits for such  
5 units, in accordance with section 404 and title V, that  
6 allow alternative contemporaneous annual emission limita-  
7 tions. Such emission limitations shall only remain in effect  
8 while both units continue operation under the conditions  
9 specified in their respective operating permits. The Ad-  
10 ministrator shall implement this subsection under 40 CFR  
11 part 76 (2002), amended as appropriate by the Adminis-  
12 trator.

13 **“SEC. 442. TERMINATION.**

14           “Starting January 1, 2008, owner or operator of af-  
15 fected units and affected facilities under section 441 shall  
16 no longer be subject to the requirements of that section.

17 **“Subpart 2—Clear Skies Nitrogen Oxides Allowance**  
18 **Program**

19 **“SEC. 451. DEFINITIONS.**

20 “For purposes of this subpart:

21           “(1) The term ‘affected EGU’ means—

22                   “(A) for a unit serving a generator before  
23 the date of enactment of the Clear Skies Act of  
24 2003, a unit in a State serving a generator with  
25 a nameplate capacity of greater than 25



1 megawatts that produced or produces electricity  
2 for sale during 2002 or any year thereafter, ex-  
3 cept for a cogeneration unit that produced or  
4 produces electricity for sale equal to or less  
5 than one-third of the potential electrical output  
6 of the generator that it served or serves during  
7 2002 and each year thereafter; and

8 “(B) for a unit commencing service of a  
9 generator on or after the date of enactment of  
10 the Clear Skies Act of 2003, a unit in a State  
11 serving a generator that produces electricity for  
12 sale during any year starting with the year the  
13 unit commences service of a generator, except  
14 for a gas-fired unit serving one or more genera-  
15 tors with total nameplate capacity of 25  
16 megawatts or less, or a cogeneration unit that  
17 produces electricity for sale equal to or less  
18 than one-third of the potential electrical output  
19 of the generator that it serves, during each year  
20 starting with the unit commences service of a  
21 generator.

22 “(C) Notwithstanding paragraphs (A) and  
23 (B), the term ‘affected EGU’ does not include  
24 a solid waste incineration unit subject to section  
25 129 or a unit for the treatment, storage, or dis-



1           posal of hazardous waste subject to section  
2           3005 of the Solid Waste Disposal Act.

3           “(2) The term ‘Zone 1 State’ means Alabama,  
4           Arkansas, Connecticut, Delaware, the District of Co-  
5           lumbia, Florida, Georgia, Illinois, Indiana, Iowa,  
6           Kentucky, Louisiana, Maine, Maryland, Massachu-  
7           setts, Michigan, Minnesota, Mississippi, Missouri,  
8           New Hampshire, New Jersey, New York, North  
9           Carolina, Ohio, Pennsylvania, Rhode Island, South  
10          Carolina, Tennessee, Texas east of Interstate 35,  
11          Vermont, Virginia, West Virginia, and Wisconsin.

12          “(3) The term ‘Zone 2 State’ means Alaska,  
13          American Samoa, Arizona, California, Colorado, the  
14          Commonwealth of Northern Mariana Islands, the  
15          Commonwealth of Puerto Rico, Guam, Hawaii,  
16          Idaho, Kansas, Montana, Nebraska, North Dakota,  
17          New Mexico, Nevada, Oklahoma, Oregon, South Da-  
18          kota, Texas west of Interstate 35, Utah, the Virgin  
19          Islands, Washington, and Wyoming.

20       **“SEC. 452. APPLICABILITY.**

21          “(a) ZONE 1 PROHIBITION.—(1) Starting January 1,  
22       2008, it shall be unlawful for the affected EGUs at a facil-  
23       ity in a Zone 1 State to emit a total amount of nitrogen  
24       oxides during a year in excess of the number of nitrogen



1 oxides allowances held for such facility for that year by  
 2 the owner or operator of the facility.

3 “(2) Only nitrogen oxides allowances under section  
 4 453(a) shall be held in order to meet the requirements  
 5 of paragraph (1), except as provided under section 465.

6 “(b) ZONE 2 PROHIBITION.—(1) Starting January 1,  
 7 2008, it shall be unlawful for the affected EGUs at a facil-  
 8 ity in a Zone 2 State to emit a total amount of nitrogen  
 9 oxides during a year in excess of the number of nitrogen  
 10 oxides allowances held for such facility for that year by  
 11 the owner or operator of the facility.

12 “(2) Only nitrogen oxides allowances under section  
 13 453(b) shall be held in order to meet the requirements  
 14 of paragraph (1).

15 **“SEC. 453. LIMITATIONS ON TOTAL EMISSIONS.**

16 “(a) ZONE 1 ALLOCATIONS.—For affected EGUs in  
 17 the Zone 1 States for 2008 and each year thereafter, the  
 18 Administrator shall allocate nitrogen oxides allowances  
 19 under section 454(a), and conduct auctions of nitrogen ox-  
 20 ides allowances under section 409, in the amounts in  
 21 Table A.

“TABLE A.—TOTAL NO<sub>x</sub> ALLOWANCES ALLOCATED OR  
 AUCTIONED FOR EGUS IN ZONE 1

Year	NO <sub>x</sub> allow- ances allocated	NO <sub>x</sub> allow- ances auctioned
2008 .....	1,546,380	15,620
2009 .....	1,530,760	31,240
2010 .....	1,515,140	46,860



“TABLE A.—TOTAL NO<sub>x</sub> ALLOWANCES ALLOCATED OR AUCTIONED FOR EGUS IN ZONE 1—Continued

Year	NO <sub>x</sub> allow- ances allocated	NO <sub>x</sub> allow- ances auctioned
2011 .....	1,499,520	62,480
2012 .....	1,483,900	78,100
2013 .....	1,468,280	93,720
2014 .....	1,452,660	109,340
2015 .....	1,437,040	124,960
2016 .....	1,421,420	140,580
2017 .....	1,405,800	156,200
2018 .....	1,034,180	127,820
2019 .....	1,022,560	139,440
2020 .....	1,010,940	151,060
2021 .....	999,320	162,680
2022 .....	987,700	174,300
2023 .....	976,080	185,920
2024 .....	964,460	197,540
2025 .....	952,840	209,160
2026 .....	941,220	220,780
2027 .....	929,600	232,400
2028 .....	900,550	261,450
2029 .....	871,500	290,500
2030 .....	842,450	319,550
2031 .....	813,400	348,600
2032 .....	784,350	377,650
2033 .....	755,300	406,700
2034 .....	726,250	435,750
2035 .....	697,200	464,800
2036 .....	668,150	493,850
2037 .....	639,100	522,900
2038 .....	610,050	551,950
2039 .....	581,000	581,000
2040 .....	551,950	610,050
2041 .....	522,900	639,100
2042 .....	493,850	668,150
2043 .....	464,800	697,200
2044 .....	435,750	726,250
2045 .....	406,700	755,300
2046 .....	377,650	784,350
2047 .....	348,600	813,400
2048 .....	319,550	842,450
2049 .....	290,500	871,500
2050 .....	261,450	900,550
2051 .....	232,400	929,550
2052 .....	203,350	958,650
2053 .....	174,300	987,700
2054 .....	145,250	1,016,750
2055 .....	116,200	1,045,800
2056 .....	87,150	1,074,850
2057 .....	58,100	1,103,900
2058 .....	29,050	1,132,950



“TABLE A.—TOTAL NO<sub>x</sub> ALLOWANCES ALLOCATED OR AUCTIONED FOR EGUS IN ZONE 1—Continued

Year	NO <sub>x</sub> allow- ances allocated	NO <sub>x</sub> allow- ances auctioned
2059 .....	0	1,162,000

1           “(b) ZONE 2 ALLOCATIONS.—For affected EGUs in  
 2 the Zone 2 States for 2008 and each year thereafter, the  
 3 Administrator shall allocate nitrogen oxides allowances  
 4 under section 454(b), and conduct auctions of nitrogen ox-  
 5 ides allowances under section 409, in the amounts in  
 6 Table B.

“TABLE B.—TOTAL NO<sub>x</sub> ALLOWANCES ALLOCATED FOR EGUS IN ZONE 2

Year	NO <sub>x</sub> allowance allocated	NO <sub>x</sub> allowance auctioned
2008 .....	532,620	5,380
2009 .....	527,240	10,760
2010 .....	521,860	16,140
2011 .....	516,480	21,520
2012 .....	511,100	26,900
2013 .....	505,720	32,280
2014 .....	500,340	37,660
2015 .....	494,960	43,040
2016 .....	489,580	48,420
2017 .....	484,200	53,800
2018 .....	478,820	59,180
2019 .....	473,440	64,560
2020 .....	468,060	69,940
2021 .....	462,680	75,320
2022 .....	457,300	80,700
2023 .....	451,920	86,080
2024 .....	446,540	91,460
2025 .....	441,160	96,840
2026 .....	435,780	102,220
2027 .....	430,400	107,600
2028 .....	416,950	121,050
2029 .....	403,500	134,500
2030 .....	390,050	147,950
2031 .....	376,600	161,400
2032 .....	363,150	174,850
2033 .....	349,700	188,300
2034 .....	336,250	201,750





“TABLE B.—TOTAL NO<sub>x</sub> ALLOWANCES ALLOCATED FOR EGUS IN ZONE 2—Continued

Year	NO <sub>x</sub> allowance allocated	NO <sub>x</sub> allowance auctioned
2035	322,800	215,200
2036	309,350	228,650
2037	295,900	242,100
2038	282,450	255,550
2039	269,000	269,000
2040	255,550	282,450
2041	242,100	295,900
2042	228,650	309,350
2043	215,200	322,800
2044	201,750	336,250
2045	188,300	349,700
2046	174,850	363,150
2047	161,400	376,600
2048	147,950	390,050
2049	134,500	403,500
2050	121,050	416,950
2051	107,600	430,400
2052	94,150	443,850
2053	80,700	457,300
2054	67,250	470,750
2055	53,800	484,200
2056	40,350	497,650
2057	26,900	511,100
2058	13,450	524,550
2059	0	538,000

1 **“SEC. 454. EGU ALLOCATIONS.**

2 “(a) EGU ALLOCATIONS IN THE ZONE 1 STATES.—

3 “(1) EPA REGULATIONS.—Not later than 18  
 4 months before the commencement date of the nitro-  
 5 gen oxides allowance requirement of section 452, the  
 6 Administrator shall promulgate regulations deter-  
 7 mining the allocation of nitrogen oxides allowances  
 8 for each year during 2008 through 2058 for units  
 9 at a facility in a Zone 1 State that commence oper-  
 10 ation by and are affected EGUs as of December 31,  
 11 2004. The regulations shall determine the allocation



1 for such units for each year by multiplying the allo-  
2 cation amount under section 453(a) by the ratio of  
3 the total amount of baseline heat input of such units  
4 at the facility to the total amount of baseline heat  
5 input of all affected EGUs in the Zone 1 States.

6 “(2) FAILURE TO REGULATE.—(A) For each  
7 year 2008 through 2058, if, by the date 18 months  
8 before January 1 of such year, the Administrator—

9 “(i) has promulgated regulations under  
10 section 403(b) providing for the transfer of ni-  
11 trogen oxides allowances and section 403(c) es-  
12 tablishing the Allowance Tracking System for  
13 nitrogen oxides allowances; and

14 “(ii) has signed proposed regulations but  
15 has not promulgated final regulations deter-  
16 mining allocations under paragraph (1),

17 the Administrator shall allocate, for such year,  
18 for each facility where an affected EGU is located  
19 in the Zone 1 States the amount of nitrogen oxides  
20 allowances specified for that facility in such pro-  
21 posed regulations.

22 “(B) For each year 2008 through 2058, if, by  
23 the date 18 months before January 1 of such year,  
24 the Administrator—



1           “(i) has promulgated regulations under  
2           section 403(b) providing for the transfer of ni-  
3           trogen oxides allowances and section 403(c) es-  
4           tablishing the Allowance Tracking System for  
5           nitrogen oxides allowances; and

6           “(ii) has not signed proposed regulations  
7           determining allocations under paragraph (1),  
8           the Administrator shall make allocations, for  
9           such year, for each unit in the Zone 1 States listed  
10          in the Administrator’s Emissions Scorecard 2001,  
11          Appendix B, Table B1 as provided in subparagraph  
12          (C).

13          “(C) Allocations of nitrogen oxides allowances  
14          for a unit under this subparagraph shall be deter-  
15          mined by multiplying 95 percent of the allocation  
16          amount under section 453(a) by the ratio of such  
17          unit’s heat input in the Emissions Scorecard 2001,  
18          Appendix B, Table B1 to the total of the heat input  
19          in the Emissions Scorecard 2001, Appendix B,  
20          Table B1 for all units in the Zone 1 States.

21          “(D) When the Administrator makes an alloca-  
22          tion under subparagraph (C), the Administrator  
23          shall—

24                 “(i) allocate for each facility where a unit  
25                 referred to in subparagraph (C) is located the



1 total of the amounts of nitrogen oxides allow-  
2 ances for the units at such facility, and

3 “(ii) auction an amount of nitrogen oxides  
4 allowances equal to 5 percent of the allocation  
5 amount under section 453(a) and conduct the  
6 auction on the first business day in October fol-  
7 lowing the respective promulgation deadline re-  
8 ferred to in subparagraph (A) and in accord-  
9 ance with section 409.

10 “(E) For each year 2008 through 2058, if the  
11 Administrator has not signed proposed regulations  
12 referred to in subparagraph (A) and has not promul-  
13 gated the regulations under section 403(b) providing  
14 for the transfer of nitrogen oxides allowances and  
15 section 403(c) establishing the Allowance Tracking  
16 System for nitrogen oxides allowances, by the date  
17 18 months before January 1 of such year, then it  
18 shall be unlawful for an affected EGU in the Zone  
19 1 States to emit nitrogen oxides during such year in  
20 excess of 0.14 lb/mmBtu.

21 “(b) EGU ALLOCATIONS IN THE ZONE 2 STATES.—

22 “(1) EPA REGULATIONS.—Not later than 18  
23 months before the commencement date of the nitro-  
24 gen oxides allowance requirement of section 452, the  
25 Administrator shall promulgate regulations deter-



1 mining the allocation of nitrogen oxides allowances  
2 for each year during 2008 through 2058 for units  
3 at a facility in a Zone 2 State that commence oper-  
4 ation by and are affected EGUs as of December 31,  
5 2004. The regulations shall determine the allocation  
6 for such units for each year by multiplying the allo-  
7 cation amount under section 453(b) by the ratio of  
8 the total amount of baseline heat input of such units  
9 at the facility to the total amount of baseline heat  
10 input of all affected EGUs in the Zone 2 States.

11 “(2) FAILURE TO REGULATE.—(A) For each  
12 year 2008 through 2058, if, by the date 18 months  
13 before January 1 of such year, the Administrator—

14 “(i) has promulgated regulations under  
15 section 403(b) providing for the transfer of ni-  
16 trogen oxides allowances and section 403(c) es-  
17 tablishing the Allowance Tracking System for  
18 nitrogen oxides allowances; and

19 “(ii) has signed proposed regulations but  
20 has not promulgated final regulations deter-  
21 mining allocations under paragraph (1),

22 the Administrator shall allocate, for such year,  
23 for each facility where an affected EGU is located  
24 in the Zone 2 States the amount of nitrogen oxides



1 allowances specified for that facility in such pro-  
2 posed regulations.

3 “(B) For each year 2008 through 2058, if, by  
4 the date 18 months before January 1 of such year,  
5 the Administrator—

6 “(i) has promulgated regulations under  
7 section 403(b) providing for the transfer of ni-  
8 trogen oxides allowances and section 403(c) es-  
9 tablishing the Allowance Tracking System for  
10 nitrogen oxides allowances; and

11 “(ii) has not signed proposed regulations  
12 determining allocations under paragraph (1),  
13 the Administrator shall make allocations, for  
14 such year, for each unit in the Zone 2 States listed  
15 in the Administrator’s Emissions Scorecard 2001,  
16 Appendix B, Table B1 as provided in subparagraph  
17 (C).

18 “(C) Allocations of nitrogen oxides allowances  
19 for a unit under this subparagraph shall be deter-  
20 mined by multiplying 95 percent of the allocation  
21 amount under section 453(b) by the ratio of such  
22 unit’s heat input in the Emissions Scorecard 2001,  
23 Appendix B, Table B1 to the total of the heat input  
24 in the Emissions Scorecard 2001, Appendix B,  
25 Table B1 for all units in the Zone 2 States.



1           “(D) When the Administrator make an alloca-  
2           tion under subparagraph (C), the Administrator  
3           shall—

4                   “(i) allocate for each facility where a unit  
5                   referred to in subparagraph (C) is located the  
6                   total of the amounts of nitrogen oxides allow-  
7                   ances for the units at such facility, and

8                   “(ii) auction an amount of nitrogen oxides  
9                   allowances equal to 5 percent of the allocation  
10                  amount under section 453(b) and conduct the  
11                  auction on the first business day in October fol-  
12                  lowing the respective promulgation deadline re-  
13                  ferred to in subparagraph (A) and in accord-  
14                  ance with section 409.

15           “(E) For each year 2008 through 2058, if the  
16           Administrator has not signed proposed regulations  
17           referred to in subparagraph (A) and has not promul-  
18           gated the regulations under section 403(b) providing  
19           for the transfer of nitrogen oxides allowances and  
20           section 403(c) establishing the Allowance Tracking  
21           System for nitrogen oxides allowances, by the date  
22           18 months before January 1 of such year, then it  
23           shall be unlawful for an affected EGU in the Zone  
24           2 States to emit nitrogen oxides during such year in  
25           excess of 0.25 lb/mmBtu.



1       **“Subpart 3—Ozone Season No<sub>x</sub> Budget Program**

2       **“SEC. 461. DEFINITIONS.**

3       “For purposes of this subpart:

4               “(1) The term ‘ozone season’ means—

5                       “(A) with regard to Connecticut, Delaware,  
6                       the District of Columbia, Maryland, Massachu-  
7                       setts, New Jersey, New York, Pennsylvania,  
8                       and Rhode Island, the period May 1 through  
9                       September 30 for each year starting in 2003;  
10                      and

11                     “(B) with regard to all other States, the  
12                     period May 30, 2004 through September 30,  
13                     2004 and the period May 1 through September  
14                     30 for each year thereafter.

15                    “(2) The term ‘NO<sub>x</sub> SIP Call State’ means  
16                    Connecticut, Delaware, the District of Columbia, Il-  
17                    linois, Indiana, Kentucky, Maryland, Massachusetts,  
18                    New Jersey, New York, North Carolina, Ohio, Penn-  
19                    sylvania, Rhode Island, South Carolina, Tennessee,  
20                    Virginia, and West Virginia and the fine grid por-  
21                    tions of Alabama, Georgia, Michigan, and Missouri.

22                    “(3) The term ‘fine grid portions of Alabama,  
23                    Georgia, Michigan, and Missouri’ means the areas in  
24                    Alabama, Georgia, Michigan, and Missouri subject  
25                    to 40 CFR § 51.121 (2001), as it would be amended





1 in the notice of proposed rulemaking at 67 Federal  
2 Register 8396 (February 22, 2002).

3 **“SEC. 462. GENERAL PROVISIONS.**

4 “The provisions of sections 402 through 406 and sec-  
5 tion 409 shall not apply to this subpart.

6 **“SEC. 463. APPLICABLE IMPLEMENTATION PLAN.**

7 “(a) SIPs.—Except as provided in subsection (b), the  
8 applicable implementation plan for each NO<sub>x</sub> SIP Call  
9 State shall be consistent with the requirements, including  
10 the NO<sub>x</sub> SIP Call State’s nitrogen oxides budget and com-  
11 pliance supplement pool, in 40 CFR §§ 51.121 and 51.122  
12 (2001), as it would be amended in the notice of proposed  
13 rulemaking at 67 Federal Register 8396 (February 22,  
14 2002).

15 “(b) REQUIREMENTS.—Notwithstanding any provi-  
16 sion to the contrary in 40 CFR §§ 51.121 and 51.122  
17 (2001), as it would be amended in the notice of proposed  
18 rulemaking at 67 Federal Register 8396 (February 22,  
19 2002)—

20 “(1) the applicable implementation plan for  
21 each NO<sub>x</sub> SIP Call State shall require full imple-  
22 mentation of the required emission control measures  
23 starting no later than the first ozone season; and

24 “(2) starting January 1, 2008—



1           “(A) the owners and operators of a boiler,  
2           combustion turbine, or integrated gasification  
3           combined cycle plant subject to emission reduc-  
4           tion requirements or limitations under part B,  
5           C, or D shall not longer be subject to the re-  
6           quirements in a NO<sub>x</sub> SIP Call State’s applica-  
7           ble implementation plan that meet the require-  
8           ments of subsection (a) and paragraph (1); and

9           “(B) notwithstanding subparagraph (A), if  
10          the Administrator determines, by December 31,  
11          2007, that a NO<sub>x</sub> SIP Call State’s applicable  
12          implementation plan meets the requirements of  
13          subsection (a) and paragraph (1), such applica-  
14          ble implementation plan shall be deemed to con-  
15          tinue to meet such requirements; and

16          “(3)(A) The owner or operator of a boiler, com-  
17          bustion turbine, or combined cycle system may sub-  
18          mit to the Administrator a petition to allow use of  
19          nitrogen oxides allowances allocated for 2005 to  
20          meet the applicable requirement to hold nitrogen ox-  
21          ides allowances at least equal to 2004 ozone season  
22          emissions of such boiler, combustion turbine, or  
23          combined cycle system.



1           “(B) A petition under this paragraph shall be  
2 submitted to the Administrator by February 1,  
3 2004.

4           “(C) The petition shall demonstrate that the  
5 owner or operator made reasonable efforts to install,  
6 at the boiler, combustion turbine, or combined cycle  
7 system, nitrogen oxides control technology designed  
8 to allow the owner or operator to meet such require-  
9 ment to hold nitrogen oxides allowances.

10           “(D) The petition shall demonstrate that there  
11 is an undue risk for the reliability of electricity sup-  
12 ply (taking into account the feasibility of purchasing  
13 electricity or nitrogen oxides allowances) because—

14           “(i) the owner or operator is not likely to  
15 be able to install and operate the technology  
16 under subparagraph (C) on a timely basis; or

17           “(ii) the technology under subparagraph  
18 (C) is not likely to be able to achieve its design  
19 control level on a timely basis.

20           “(E) The petition shall include a statement by  
21 the NO<sub>x</sub> SIP Call State where the boiler, combustion  
22 turbine, or combined cycle system is located that the  
23 NO<sub>x</sub> SIP Call State does not object to the petition.



1           “(F) By May 30, 2004, by order, the Adminis-  
 2           trator shall approve the petition if it meets the re-  
 3           quirements of subparagraphs (B) through (E).

4           “(c) SAVINGS PROVISION.—Nothing in this section or  
 5           section 464 shall preclude or deny the right of any State  
 6           or political subdivision thereof to adopt or enforce any reg-  
 7           ulation, requirement, limitation, or standard, relating to  
 8           a boiler, combustion turbine, or integrated gasification  
 9           combined cycle plant subject to emission reduction re-  
 10          quirements or limitations under part B, C, or D, that is  
 11          more stringent than a regulation, requirement, limitation,  
 12          or standard in effect under this section or under any other  
 13          provision of this Act.

14       **“SEC. 464. TERMINATION OF FEDERAL ADMINISTRATION**  
 15                           **OF NO<sub>x</sub> TRADING PROGRAM FOR EGUS.**

16          “Starting January 1, 2008, with regard to any boiler,  
 17          combustion turbine, or integrated gasification combined  
 18          cycle plant subject to emission reduction requirements or  
 19          limitations under part B, C, or D, the Administrator shall  
 20          not administer any nitrogen oxides trading program in-  
 21          cluded in any NO<sub>x</sub> SIP Call State’s applicable implemen-  
 22          tation plan and meeting the requirements of section  
 23          463(a) and (b)(1).



1 **“SEC. 465. CARRYFORWARD OF PRE-2008 NITROGEN OXIDES**  
2 **ALLOWANCES.**

3 “The Administrator shall promulgate regulations as  
4 necessary to assure that the requirement to hold allow-  
5 ances under section 452(a)(1) may be met using nitrogen  
6 oxides allowances allocated for an ozone season before  
7 2008 under a nitrogen oxides trading program that the  
8 Administrator administers, is included in a NO<sub>x</sub> SIP Call  
9 State’s applicable implementation plan, and meets the re-  
10 quirements of section 463(a) and (b)(1).

11 **“PART D—MERCURY EMISSIONS REDUCTIONS**

12 **“SEC. 471. DEFINITIONS.**

13 “For purposes of this subpart:

14 “(1) The term ‘adjusted baseline heat input’  
15 with regard to a unit means the unit’s baseline heat  
16 input multiplied by—

17 “(A) 1.0, for the portion of the baseline  
18 heat input that is the unit’s average annual  
19 combustion of bituminous during the years on  
20 which the unit’s baseline heat input is based;

21 “(B) 3.0, for the portion of the baseline  
22 heat input that is the unit’s average annual  
23 combustion of lignite during the years on which  
24 the unit’s baseline heat input is based;

25 “(C) 1.25, for the portion of the baseline  
26 heat input that is the unit’s average annual



1 combustion of subbituminous during the years  
2 on which the unit's baseline heat input is based;  
3 and

4 “(D) 1.0, for the portion of the baseline  
5 heat input that is not covered by subparagraph  
6 (A), (B), or (C) or for the entire baseline heat  
7 input if such baseline heat input is not based  
8 on the unit's heat input in specified years.

9 “(2) The term ‘affected EGU’ means—

10 “(A) for a unit serving a generator before  
11 the date of enactment of the Clear Skies Act of  
12 2003, a coal-fired unit in a State serving a gen-  
13 erator with a nameplate capacity of greater  
14 than 25 megawatts that produced or produces  
15 electricity for sale during 2002 or any year  
16 thereafter, except for a cogeneration unit that  
17 produced or produces electricity for sale equal  
18 to or less than one-third of the potential elec-  
19 trical output of the generator that it served or  
20 serves during 2002 and each year thereafter;  
21 and

22 “(B) for a unit commencing service of a  
23 generator on or after the date of enactment of  
24 the Clear Skies Act of 2003, a coal-fired unit  
25 in a State serving a generator that produces



1 electricity for sale during any year starting with  
2 the year the unit commences service of a gener-  
3 ator, except for a cogeneration unit that pro-  
4 duces electricity for sale equal to or less than  
5 one-third of the potential electrical output of  
6 the generator that it serves, during each year  
7 starting with the year the unit commences serv-  
8 ice of a generator.

9 “(C) Notwithstanding paragraphs (A) and  
10 (B), the term ‘affected EGU’ does not include  
11 a solid waste incineration unit subject to section  
12 129 or a unit for the treatment, storage, or dis-  
13 posal of hazardous waste subject to section  
14 3005 of the Solid Waste Disposal Act.

15 **“SEC. 472. APPLICABILITY.**

16 “Starting January 1, 2010, it shall be unlawful for  
17 the affected EGUs at a facility in a State to emit a total  
18 amount of mercury during the year in excess of the num-  
19 ber of mercury allowances held for such facility for that  
20 year by the owner or operator of the facility.

21 **“SEC. 473. LIMITATIONS ON TOTAL EMISSIONS.**

22 “For affected EGUs for 2010 and each year there-  
23 after, the Administrator shall allocate mercury allowances  
24 under section 474, and conduct auctions of mercury allow-  
25 ances under section 409, in the amounts in Table A.



“TABLE A.—TOTAL MERCURY ALLOWANCES  
ALLOCATED OR AUCTIONED FOR EGUS

Year	Mercury allowances allocated	Mercury allowances auctioned
2010	823,680	8,320
2011	815,360	16,640
2012	807,040	24,960
2013	798,720	33,280
2014	790,400	41,600
2015	782,080	49,920
2016	773,760	58,240
2017	765,440	66,560
2018	436,800	43,200
2019	432,000	48,000
2020	427,200	52,800
2021	422,400	57,600
2022	417,600	62,400
2023	412,800	67,200
2024	408,000	72,000
2025	403,200	76,800
2026	398,400	81,600
2027	393,600	86,400
2028	388,800	91,200
2029	384,000	96,000
2030	372,000	108,000
2031	360,000	120,000
2032	348,000	132,000
2033	336,000	144,000
2034	324,000	156,000
2035	312,000	168,000
2036	300,000	180,000
2037	288,000	192,000
2038	276,000	204,000
2039	264,000	216,000
2040	252,000	228,000
2041	240,000	240,000
2042	228,000	252,000
2043	216,000	264,000
2044	204,000	276,000
2045	192,000	288,000
2046	180,000	300,000
2047	168,000	312,000
2048	156,000	324,000
2049	144,000	336,000
2050	132,000	348,000
2051	120,000	360,000
2052	108,000	372,000
2053	96,000	384,000
2054	84,000	396,000
2055	72,000	408,000
2056	60,000	420,000
2057	48,000	432,000
2058	36,000	444,000





“TABLE A.—TOTAL MERCURY ALLOWANCES  
ALLOCATED OR AUCTIONED FOR EGUS—Continued

Year	Mercury allowances allocated	Mercury allowances auctioned
2059 .....	24,000	456,000
2060 .....	12,000	468,000
2061 .....	0	480,000

1 **“SEC. 474. EGU ALLOCATIONS.**

2       “(a) IN GENERAL.—Not later than 24 months before  
3 the commencement date of the mercury allowance require-  
4 ment of section 472, the Administrator shall promulgate  
5 regulations determining allocations of mercury allowances  
6 for each year during 2010 through 2060 for units at a  
7 facility that commence operation by and are affected  
8 EGUs as of December 31, 2004. The regulations shall  
9 provide that the Administrator shall allocate each year for  
10 such units an amount determined by multiplying the allo-  
11 cation amount in section 473 by the ratio of the total  
12 amount of the adjusted baseline heat input of such units  
13 at the facility to the total amount of adjusted baseline heat  
14 input of all affected EGUs.

15       “(b) FAILURE TO PROMULGATE.—(1) For each year  
16 2010 through 2060, if, by the date 18 months before Jan-  
17 uary 1 of such year, the Administrator—

18               “(A) has promulgated regulations under  
19               section 403(b) providing for the transfer of  
20               mercury allowances and section 403(c) estab-



1           lishing the Allowance Tracking System for mer-  
2           cury allowances; and

3                   “(B) has signed proposed regulations but  
4           has not promulgated final regulations deter-  
5           mining allocations under subsection (a),

6           the Administrator shall allocate, for such year,  
7           for each facility where an affected EGU is located  
8           the amount of mercury allowances specified for that  
9           facility in such proposed regulations.

10          “(2) If, by the date 18 months before January 1 of  
11       each year 2010 through 2060, the Administrator has not  
12       signed proposed regulations determining allocations under  
13       subsection (a), the Administrator shall:

14                   “(A) determine, for such year, for each unit  
15       with coal as its primary or secondary fuel listed in  
16       the Administrator’s Emissions Scorecard 2001, Ap-  
17       pendix B, Table B1 an amount of mercury allow-  
18       ances by multiplying 95 percent of the allocation  
19       amount under section 473 by the ratio of such unit’s  
20       heat input in the Emissions Scorecard 2001, Appen-  
21       dix B, Table B1 to the total of the heat input in the  
22       Emissions Scorecard 2001, Appendix B, Table B1  
23       for all units with coal as their primary or secondary  
24       fuel;



1           “(B) allocate, for such year, for each facility  
2           where a unit under subparagraph (A) is located the  
3           total of the amounts of mercury allowances for the  
4           units at such facility determined under subpara-  
5           graph (A); and

6           “(C) auction an amount of mercury allowances  
7           equal to 5 percent of the allocation amount under  
8           section 473 and conduct the auction on the first  
9           business day in October following the respective pro-  
10          mulgation deadline under paragraph (1) and in ac-  
11          cordance with section 409.

12          “(3) For each year 2010 through 2060, if the Admin-  
13          istrator has not signed proposed regulations under sub-  
14          section (a), and has not promulgated the regulations  
15          under section 403(b) providing for the transfer of mercury  
16          allowances and section 403(c) establishing the Allowance  
17          Tracking System for mercury allowances, by the date 18  
18          months before January 1 of such year, then it shall be  
19          unlawful for any affected EGU to emit mercury during  
20          such year in excess of 30 percent of the mercury content  
21          (in ounces per mmBtu) of the coal and coal-derived fuel  
22          combusted by the unit.



1 **“PART E—NATIONAL EMISSION STANDARDS;**  
2 **RESEARCH; ENVIRONMENTAL ACCOUNT-**  
3 **ABILITY; MAJOR SOURCE**  
4 **PRECONSTRUCTION REVIEW AND BEST**  
5 **AVAILABLE RETROFIT CONTROL TECH-**  
6 **NOLOGY REQUIREMENTS**

7 **“SEC. 481. NATIONAL EMISSION STANDARDS FOR AF-**  
8 **FECTED UNITS.**

9 “(a) DEFINITIONS.—For purposes of this section:

10 “(1) The term ‘commenced,’ with regard to con-  
11 struction, means that an owner or operator has ei-  
12 ther undertaken a continuous program of construc-  
13 tion or has entered into a contractual obligation to  
14 undertake and complete, within a reasonable time, a  
15 continuous program of construction. For boilers and  
16 integrated gasification combined cycle plants, this  
17 term does not include undertaking such a program  
18 or entering into such an obligation more than 36  
19 months prior to the date on which the unit begins  
20 operation. For combustion turbines, this term does  
21 not include undertaking such a program or entering  
22 into such an obligation more than 18 months prior  
23 to the date on which the unit begins operation.

24 “(2) The term ‘construction’ means fabrication,  
25 erection, or installation of an affected unit.



1           “(3) The term ‘affected unit’ means any unit  
2 that is subject to emission limitations under subpart  
3 2 of part B, subpart 2 of part C, or part D.

4           “(4) The term ‘existing affected unit’ means  
5 any affected unit that is not a new affected unit.

6           “(5) The term ‘new affected unit’ means any  
7 affected unit, the construction or reconstruction of  
8 which is commenced after the date of enactment of  
9 the Clear Skies Act of 2003, except that for the pur-  
10 pose of any revision of a standard pursuant to sub-  
11 section (e), ‘new affected unit’ means any affected  
12 unit, the construction or reconstruction of which is  
13 commenced after the public of regulations (or, if ear-  
14 lier, proposed regulations) prescribing a standard  
15 under this section that will apply to such unit.

16           “(6) The term ‘reconstruction’ means the re-  
17 placement of components of a unit to such an extent  
18 that:

19                   “(A) the fixed capital cost of the new com-  
20 ponents exceeds 50 percent of the fixed capital  
21 cost that would be required to construct a com-  
22 parable entirely new unit; and

23                   “(B) it is technologically and economically  
24 feasible to meet the applicable standards set  
25 forth in this section.



1 “(b) EMISSION STANDARDS.—

2 “(1) IN GENERAL.—No later than 12 months  
3 after the date of enactment of the Clear Skies Act  
4 of 2003, the Administrator shall promulgate regula-  
5 tions prescribing the standards in subsections (c)  
6 through (d) for the specified affected units and es-  
7 tablishing requirements to ensure compliance with  
8 these standards, including monitoring, record-  
9 keeping, and reporting requirements.

10 “(2) MONITORING.—(A) The owner or operator  
11 of any affected unit subject to the standards for sul-  
12 fur dioxide, nitrogen oxides, or mercury under this  
13 section shall meet the requirements of section 405,  
14 except that, where two or more units utilize a single  
15 stack, separate monitoring shall be required for each  
16 affected unit for the pollutants for which the unit is  
17 subject to such standards.

18 “(B) The Administrator shall, by regulation,  
19 require—

20 “(i) the owner or operator of any affected  
21 unit subject to the standards for sulfur dioxide,  
22 nitrogen oxides, or mercury under this section  
23 to—

24 “(I) install and operate CEMS for  
25 monitoring output, including electricity and



1 useful thermal energy, on the affected unit  
2 and to quality assure the data; and

3 “(II) comply with recordkeeping and  
4 reporting requirements, including provi-  
5 sions for reporting output data in mega-  
6 watt hours.

7 “(ii) the owner or operator of any affected  
8 unit subject to the standards for particulate  
9 matter under this section to—

10 “(I) install and operate CEMS for  
11 monitoring particulate matter on the af-  
12 fected unit and to quality assure the data;

13 “(II) comply with recordkeeping and  
14 reporting requirements; and

15 “(III) comply with alternative moni-  
16 toring, quality assurance, recordkeeping,  
17 and reporting requirements for any period  
18 of time for which the Administrator deter-  
19 mines that CEMS with appropriate vendor  
20 guarantees are not commercially available  
21 for particulate matter.

22 “(3) COMPLIANCE.—For boilers, integrated gasifi-  
23 cation combined cycle plants, and combustion turbines  
24 that are gas-fired or coal fired, the Administrator shall  
25 require that the owner or operator demonstrate compli-



1   ance with the standards daily, using a 30-day rolling aver-  
2   age, except that in the case of mercury, the compliance  
3   period shall be the calendar year. For combustion turbines  
4   that are not gas-fired or coal-fired, the Administrator shall  
5   require that the owner or operator demonstrate compli-  
6   ance with the standards hourly, using a 4-hour rolling av-  
7   erage.

8           “(c) BOILERS AND INTEGRATED GASIFICATION COM-  
9   BINED CYCLE PLANTS.—

10           “(1) After the effective date of standards pro-  
11   mulgated under subsection (b), no owner or operator  
12   shall cause any boiler or integrated gasification com-  
13   bined cycle plant that is a new affected unit to dis-  
14   charge into the atmosphere any gases which  
15   contain—

16           “(A) sulfur dioxide in excess of 2.0 lb/  
17   MWh;

18           “(B) nitrogen oxides in excess of 1.0 lb/  
19   MWh;

20           “(C) particulate matter in excess of 0.20  
21   lb/MWh; or

22           “(D) if the unit is coal-fired, mercury in  
23   excess of 0.015 lb/GWh, unless—

24           “(i) mercury emissions from the unit,  
25   determined assuming no use of on-site or





1 off-site pre-combustion treatment of coal  
2 and no use of technology that captures  
3 mercury, are reduced by 80 percent;

4 “(ii) flue gas desulfurization (FGD)  
5 and selective catalytic reduction (SCR) are  
6 applied to the unit and are operated so as  
7 to optimize capture of mercury; or

8 “(iii) a technology is applied to the  
9 unit and operated so as to optimize cap-  
10 ture of mercury, and the permitting au-  
11 thority determines that the technology is  
12 equivalent in terms of mercury capture to  
13 the application of FGD and SCR.

14 “(2) Notwithstanding paragraph (1)(D), inte-  
15 grated gasification combined cycle plants with a  
16 combined capacity of less than 5 GW are exempt  
17 from the mercury requirement under subparagraph  
18 (1)(D) if they are constructed as part of a dem-  
19 onstration project under the Secretary of Energy  
20 that will include a demonstration of removal of sig-  
21 nificant amounts of mercury as determined by the  
22 Secretary of Energy in conjunction with the Admin-  
23 istrator as part of the solicitation process.

24 “(3) After the effective date of standards pro-  
25 mulgated under subsection (b), no owner or operator



1 shall cause any oil-fired boiler that is an existing af-  
2 fected unit to discharge into the atmosphere any  
3 gases which contain particulate matter in excess of  
4 0.30 lb/MWh.

5 “(d) COMBUSTION TURBINES.—

6 “(1) After the effective date of standards pro-  
7 mulgated under subsection (b), no owner or operator  
8 shall cause any gas-fired combustion turbine that is  
9 a new affected unit to discharge into the atmosphere  
10 any gases which contain nitrogen oxides in excess  
11 of—

12 “(A) 0.56 lb/MWh (15 ppm at 15 percent  
13 oxygen), if the unit is a simple cycle combustion  
14 turbine;

15 “(B) 0.084 lb/MWh (3.5 ppm at 15 per-  
16 cent oxygen), if the unit is not a simple cycle  
17 combustion turbine and either uses add-on con-  
18 trols or is located within 50 km of a class I  
19 area; or

20 “(C) 0.21 lb/MWh (9 ppm at 15 percent  
21 oxygen), if the unit is not a simple cycle turbine  
22 and neither uses add-on controls nor is located  
23 within 50 km of a class I area.

24 “(2) After the effective date of standards pro-  
25 mulgated under subsection (b), no owner or operator



1 shall cause any coal-fired combustion turbine that is  
2 a new affected unit to discharge into the atmosphere  
3 any gases which contain sulfur dioxide, nitrogen ox-  
4 ides, particulate matter, or mercury in excess of the  
5 emission limits under subparagraphs (c)(1) (A)  
6 through (D).

7 “(3) After the effective date of standards pro-  
8 mulgated under subsection (b), no owner or operator  
9 shall cause any combustion turbine that is not gas-  
10 fired or coal-fired and that is a new affected unit to  
11 discharge into the atmosphere any gases which  
12 contain—

13 “(A) sulfur dioxide in excess of 2.0lb/  
14 MWh;

15 “(B) nitrogen oxides in excess of—

16 “(i) 0.289 lb/MWh (12 ppm at 15  
17 percent oxygen), if the unit is not a simple  
18 cycle combustion turbine, is dual-fuel capa-  
19 ble, and uses add-on controls; or is not a  
20 simple cycle combustion turbine and is lo-  
21 cated within 50 km of a class I area;

22 “(ii) 1.01 lb/MWh (42 ppm at 15 per-  
23 cent oxygen), if the unit is a simple cycle  
24 combustion turbine; is not a simple cycle  
25 combustion turbine and is not dual-fuel ca-



1 pable; or is not a simple cycle combustion  
2 turbine, is dual-fuel capable, and does not  
3 use add-on controls.

4 “(C) particulate matter in excess of 0.20  
5 lb/MWh.

6 “(e) PERIODIC REVIEW AND REVISION.—

7 “(1) The Administrator shall, at least every 8  
8 years following the promulgation of standards under  
9 subsection (b), review and, if appropriate, revise  
10 such standards to reflect the degree of emission limi-  
11 tation achievable through the application of the best  
12 system of emission reduction which (taking into ac-  
13 count the cost of achieving such reduction and any  
14 nonair quality health and environmental impacts and  
15 energy requirements) the Administrator determines  
16 has been adequately demonstrated. When implemen-  
17 tation and enforcement of any requirement of this  
18 Act indicate that emission limitations and percent  
19 reductions beyond those required by the standards  
20 promulgated under this section are achieved in prac-  
21 tice, the Administrator shall, when revising stand-  
22 ards promulgated under this section, consider the  
23 emission limitations and percent reductions achieved  
24 in practice.



1           “(2) Notwithstanding the requirements of para-  
2           graph (1) the Administrator need not review any  
3           standard promulgated under subsection (b) if the  
4           Administrator determines that such review is not ap-  
5           propriate in light of readily available information on  
6           the efficacy of such standard.

7           “(f) EFFECTIVE DATE.—Standard promulgated pur-  
8           suant to this section shall become effective upon promul-  
9           gation.

10          “(g) DELEGATION.—

11           “(1) Each State may develop and submit to the  
12           Administration a procedure for implementing and  
13           enforcing standards promulgated under this section  
14           for affected units located in such State. If the Ad-  
15           ministrator finds the State procedure is adequate,  
16           the Administrator shall delegate to such State any  
17           authority the Administrator has under this Act to  
18           implement and enforce such standards.

19           “(2) Nothing in this subsection shall prohibit  
20           the Administrator from enforcing any applicable  
21           standard under this section.

22           “(h) VIOLATIONS.—After the effective date of stand-  
23           ards promulgated under this section, it shall be unlawful  
24           for any owner or operator of any affected unit to operate



1 such unit in violation of any standard applicable to such  
2 unit.

3 “(i) COORDINATION WITH OTHER AUTHORITIES.—  
4 For purposes of sections 111(e), 113, 114, 116, 120, 303,  
5 304,307 and other provisions for the enforcement of this  
6 Act, each standard established pursuant to this section  
7 shall be treated in the same manner as a standard of per-  
8 formance under section 111, and each affected unit sub-  
9 ject to standards under this section shall be treated in the  
10 same manner as a stationary source under section 111.

11 “(j) STATE AUTHORITY.—Nothing in this section  
12 shall preclude or deny the right of any State or political  
13 subdivision thereof to adopt or enforce any regulation, re-  
14 quirement, limitation, or standard relating to affected  
15 units that is more stringent than a regulation, require-  
16 ment, limitation, or standard in effect under this section  
17 or under any other provision of this Act.

18 “(k) OTHER AUTHORITY UNDER THIS ACT.—Noth-  
19 ing in this section shall diminish the authority of the Ad-  
20 ministrator or a State to establish any other requirements  
21 applicable to affected units under any other authority of  
22 law, including the authority to establish for any air pollut-  
23 ant a national ambient air quality standard, except that  
24 no new affected unit subject to standards under this sec-



1 tion shall be subject to standards under section 111 of  
2 this Act.

3 **“SEC. 482. RESEARCH, ENVIRONMENTAL MONITORING, AND**  
4 **ASSESSMENT.**

5 “(a) PURPOSES.—The Administrator, in collabora-  
6 tion with the Secretary of Energy and the Secretary of  
7 the Interior, shall conduct a comprehensive program of re-  
8 search, environmental monitoring, and assessment to en-  
9 hance scientific understanding of the human health and  
10 environmental effects of particulate matter and mercury  
11 and to demonstrate the efficacy of emission reductions  
12 under this title. The purposes of such a program are to—

13 “(1) expand current research and knowledge of  
14 the contribution of emissions from electricity genera-  
15 tion to exposure and health effects associated with  
16 particulate matter and mercury;

17 “(2) enhance current research and development  
18 of promising multi-pollutant control strategies and  
19 CEMS for mercury;

20 “(3) produce peer-reviewed scientific and tech-  
21 nology information to inform the review of emissions  
22 levels under section 410;

23 “(4) improve environmental monitoring and as-  
24 sessment of sulfur dioxide, nitrogen oxides and mer-  
25 cury, and their transformation products, to track



1 changes in human health and the environment at-  
2 tributable to emission reductions under this title;  
3 and

4 “(5) periodically provide peer-reviewed reports  
5 on the costs, benefits, and effectiveness of emission  
6 reductions achieved under this title.

7 “(b) RESEARCH.—The Administrator shall enhance  
8 planned and ongoing laboratory and field research and  
9 modeling analyses, and conduct new research and analyses  
10 to produce peer-reviewed information concerning the  
11 human health and environmental effects of mercury and  
12 particulate matter and the contribution of United States  
13 electrical generating units to those effects. Such informa-  
14 tion shall be included in the report under subsection (d).  
15 In addition, such research and analyses shall—

16 “(1) improve understanding of the rates and  
17 processes governing chemical and physical trans-  
18 formations of mercury in the atmosphere, including  
19 speciation of emissions from electricity generation  
20 and the transport of these species;

21 “(2) improve understanding of the contribution  
22 of mercury emissions from electricity generation to  
23 mercury in fish and other biota, including—

24 “(A) the response of and contribution to  
25 mercury in the biota owing to atmospheric dep-





1           osition of mercury from U.S. electricity genera-  
2           tion on both local and regional scales;

3           “(B) long-term contributions of mercury  
4           from U.S. electricity generation on mercury ac-  
5           cumulations in ecosystems, and the effects of  
6           mercury reductions in that sector on the envi-  
7           ronment and public health;

8           “(C) the role and contribution of mercury,  
9           from U.S. electricity generating facilities and  
10          anthropogenic and natural sources to fish con-  
11          tamination and to human exposure, particularly  
12          with respect to sensitive populations;

13          “(D) the contribution of U.S. electricity  
14          generation to population exposure to mercury in  
15          freshwater fish and seafood and quantification  
16          of linkages between U.S. mercury emissions and  
17          domestic mercury exposure and its health ef-  
18          fects; and

19          “(E) the contribution of mercury from  
20          U.S. electricity generation in the context of  
21          other domestic and international sources of  
22          mercury, including transport of global anthro-  
23          pogenic and natural background levels;

24          “(3) improve understanding of the health ef-  
25          fects of fine particulate matter components related



1 to electricity generation emissions (as distinct from  
2 other fine particle fractions and indoor air expo-  
3 sures) and the contribution of U.S. electrical gener-  
4 ating units to those effects including—

5 “(A) the chronic effects of fine particulate  
6 matter from electricity generation in sensitive  
7 population groups; and

8 “(B) personal exposure to fine particulate  
9 matter from electricity generation; and

10 “(4) improve understanding, by way of a review  
11 of the literature, of methods for valuing human  
12 health and environmental benefits associated with  
13 fine particulate matter and mercury.

14 “(c) INNOVATIVE CONTROL TECHNOLOGIES.—The  
15 Administrator shall collaborate with the Secretary of En-  
16 ergy to enhance research and development, and conduct  
17 new research that facilitates research into and develop-  
18 ment of innovative technologies to control sulfur dioxide,  
19 nitrogen oxides, mercury, and particulate matter at a  
20 lower cost than existing technologies. Such research and  
21 development shall provide updated information on the cost  
22 and feasibility of technologies. Such information shall be  
23 included in the report under subsection (d). In addition,  
24 the research and development shall—



1           “(1) upgrade cost and performance models to  
2 include results from ongoing and future electricity  
3 generation and pollution control demonstrations by  
4 the Administrator and the Secretary of Energy;

5           “(2) evaluate the overall environmental implica-  
6 tions of the various technologies tested including the  
7 impact on the characteristics of coal combustion res-  
8 idues;

9           “(3) evaluate the impact of the use of selective  
10 catalytic reduction on mercury emissions from the  
11 combustion of all coal types;

12           “(4) evaluate the potential of integrated gasifi-  
13 cation combined cycle to adequately control mercury;

14           “(5) expand current programs by the Adminis-  
15 trator to conduct research and promote, lower cost  
16 CEMS capable of providing real-time measurements  
17 of both speciated and total mercury and integrated  
18 compact CEMS that provide cost-effective real-time  
19 measurements of sulfur dioxide, nitrogen oxides, and  
20 mercury;

21           “(6) expand lab- and pilot-scale mercury and  
22 multi-pollutant control programs by the Secretary of  
23 Energy and the Administrator, including develop-  
24 ment of enhanced sorbents and scrubbers for use on  
25 all coal types;



1           “(7) characterize mercury emissions from low-  
2           rank coals, for a range of traditional control tech-  
3           nologies, like scrubbers and selective catalytic reduc-  
4           tion; and

5           “(8) improve low cost combustion modifications  
6           and controls for dry-bottom boilers.

7           “(d) EMISSIONS LEVELS EVALUATION REPORT.—  
8           Not later than January 1, 2008, the Administrator, in  
9           consultation with the Secretary of Energy, shall prepare  
10          a peer reviewed report to inform review of the emissions  
11          levels under section 410. The report shall be based on the  
12          best available peer-reviewed scientific and technology in-  
13          formation. It shall address cost, feasibility, human health  
14          and ecological effects, and net benefits associated with  
15          emissions levels under this title.

16          “(e) ENVIRONMENTAL ACCOUNTABILITY.—

17                 “(1) MONITORING AND ASSESSMENT.—The Ad-  
18                 ministrator shall conduct a program of environ-  
19                 mental monitoring and assessment to track on a  
20                 continuing basis, changes in human health and the  
21                 environment attributable to the emission reductions  
22                 required under this title. Such a program shall—

23                         “(A) develop and employ methods to rou-  
24                         tinely monitor, collect, and compile data on the  
25                         status and trends of mercury and its trans-



1 formation products in emissions from affected  
2 facilities, atmospheric deposition, surface water  
3 quality, and biological systems. Emphasis shall  
4 be placed on those methods that—

5 “(i) improve the ability to routinely  
6 measure mercury in dry deposition proc-  
7 esses;

8 “(ii) improve understanding of the  
9 spatial and temporal distribution of mer-  
10 cury deposition in order to determine  
11 source-receptor relationships and patterns  
12 of long-range, regional, and local deposi-  
13 tion;

14 “(iii) improve understanding of aggre-  
15 gate exposures and additive effects of  
16 methylmercury and other pollutants; and

17 “(iv) improve understanding of the ef-  
18 fectiveness and cost of mercury emissions  
19 controls;

20 “(B) modernize and enhance the national  
21 air quality and atmospheric deposition moni-  
22 toring networks in order to cost-effectively ex-  
23 pand and integrate, where appropriate, moni-  
24 toring capabilities for sulfur, nitrogen, and mer-



1           cury to meet the assessment and reporting re-  
2           quirements of this section;

3           “(C) perform and enhance long-term moni-  
4           toring of sulfur, nitrogen, and mercury, and pa-  
5           rameters related to acidification, nutrient en-  
6           richment, and mercury bioaccumulation in  
7           freshwater and marine biota;

8           “(D) maintain and upgrade models that  
9           describe the interactions of emissions with the  
10          atmosphere and resulting air quality implica-  
11          tions and models that describe the response of  
12          ecosystems to atmospheric deposition; and

13          “(E) assess indicators of ecosystems health  
14          related to sulfur, nitrogen, and mercury, includ-  
15          ing characterization of the causes and effects of  
16          episodic exposure to air pollutants and evalua-  
17          tion of recovery.

18          “(2) REPORTING REQUIREMENTS.—Not later  
19          than January 1, 2008, and not later than every 4  
20          years thereafter, the Administrator shall provide a  
21          peer reviewed report to the Congress on the costs,  
22          benefits, and effectiveness of emission reduction pro-  
23          grams under this title. The report shall address the  
24          relative contribution of emission reductions from  
25          U.S. electricity generation under this title compared



1 to the emission reductions achieved under other ti-  
2 tles of the Clean Air Act with respect to—

3 “(A) actual and projected emissions of sul-  
4 fur dioxide, nitrogen oxides, and mercury;

5 “(B) average ambient concentrations of  
6 sulfur dioxide and nitrogen oxides trans-  
7 formation products, related air quality param-  
8 eters, and indicators of reductions in human ex-  
9 posure;

10 “(C) status and trends in total atmos-  
11 pheric deposition of sulfur, nitrogen, and mer-  
12 cury, including regional estimates of total at-  
13 mospheric deposition;

14 “(D) status and trends in visibility;

15 “(E) status of terrestrial and aquatic eco-  
16 systems (including forests and forested water-  
17 sheds, streams, lakes, rivers, estuaries, and  
18 near-coastal waters);

19 “(F) status of mercury and its trans-  
20 formation products in fish;

21 “(G) causes and effects of atmospheric  
22 deposition, including changes in surface water  
23 quality, forest and soil conditions;

24 “(H) occurrence and effects of coastal eu-  
25 trophication and episodic acidification, particu-



1 larly with respect to high elevation watersheds;  
2 and

3 “(I) reduction in atmospheric deposition  
4 rates that should be achieved to prevent or re-  
5 duce adverse ecological effects.

6 **“SEC. 483. EXEMPTION FROM MAJOR SOURCE**  
7 **PRECONSTRUCTION REVIEW REQUIREMENTS**  
8 **AND BEST AVAILABLE RETROFIT CONTROL**  
9 **TECHNOLOGY REQUIREMENTS.**

10 “(a) MAJOR SOURCE EXEMPTION.—An affected unit  
11 shall not be considered a major emitting facility or major  
12 stationary source, or a part of a major emitting facility  
13 or major stationary source for purposes of compliance with  
14 the requirements of parts C and part D of title I. This  
15 exemption only applies to units that are either subject to  
16 the performance standards of section 481 or meet the fol-  
17 lowing requirements within 3 years after the date of enact-  
18 ment of the Clear Skies Act of 2003:

19 “(1) The owner or operator of the affected unit  
20 properly operates, maintains and repairs pollution  
21 control equipment to limit emissions of particulate  
22 matter, or the owner or operator of the affected unit  
23 is subject to an enforceable permit issued pursuant  
24 to title V or a permit program approved or promul-  
25 gated as part of an applicable implementation plan





1 to limit the emissions of particular matter from the  
2 affected unit to 0.03 lb/mmBtu within 8 years after  
3 the date of enactment of the Clear Skies Act of  
4 2003, and

5 “(2) The owner or operator of the affected unit  
6 uses good combustion practices to minimize emis-  
7 sions of carbon monoxide.

8 “(b) CLASS I AREA PROTECTIONS.—Notwith-  
9 standing the exemption in subsection (a), an affected unit  
10 located within 50 km of a Class I area on which construc-  
11 tion commences after the date of enactment of the Clear  
12 Skies Act of 2003 is subject to those provisions under part  
13 C of title I pertaining to the review of a new or modified  
14 major stationary source’s impact on a Class I area.

15 “(c) PRECONSTRUCTION REQUIREMENTS.—Each  
16 State shall include in its plan under section 110, as pro-  
17 gram to provide for the regulation of the construction of  
18 an affected unit that ensures that the following require-  
19 ments are met prior to the commencement of construction  
20 of an affected unit—

21 “(1) in an area designated as attainment or  
22 unclassifiable under section 107(d), the owner or op-  
23 erator of the affected unit must demonstrate to the  
24 State that the emissions increase from the construc-  
25 tion or operation of such unit will not cause, or con-



1       tribute to, air pollution in excess of any national am-  
2       bient air quality standard;

3           “(2) in an area designated as nonattainment  
4       under section 107(d), the State must determine that  
5       the emissions increase from the construction or oper-  
6       ation of such unit will not interfere with any pro-  
7       gram to assure that the national ambient air quality  
8       standards are achieved;

9           “(3) for a modified unit, the unit must comply  
10      prior to beginning operation with either the perform-  
11      ance standards of section 481 or best available con-  
12      trol technology as defined in part C of title I for the  
13      pollutants whose hourly emissions will increase at  
14      the unit’s maximum capacity; and

15          “(4) the State must provide for an opportunity  
16      for interested persons to comment on the Class I  
17      area protections and preconstruction requirements  
18      as set forth in this section.

19      “(d) DEFINITIONS.—For purposes of this section:

20          “(1) The term ‘affected unit’ means any unit  
21      that is subject to emission limitations under subpart  
22      2 of part B, subpart 2 of part C, or part D.

23          “(2) The term ‘construction’ includes the con-  
24      struction of a new affected unit and the modification  
25      of any affected unit.



1           “(3) The term ‘modification’ means any phys-  
2           ical change in, or change in the method of operation  
3           of, an affected unit that increases the maximum  
4           hourly emissions of any pollutant regulated under  
5           this Act above the maximum hourly emissions  
6           achievable at that unit during the 5 years prior to  
7           the change or that results in the emission of any  
8           pollutant regulated under this Act and not pre-  
9           viously emitted.

10          “(e) SAVINGS CLAUSE.—Nothing in this section shall  
11         preclude or deny the right of any State or political subdivi-  
12         sion thereof to adopt to enforce any regulation, require-  
13         ments, limitation, or standard relating to affected units  
14         that is more stringent than a regulation, requirement, lim-  
15         itation, or standard in effect under this section or under  
16         any other provision of this Act.”.

17         **SEC. 3. OTHER AMENDMENTS.**

18           (a) Title I of the Clean Air Act is amended as follows:

19                 (1) In section 103 by repealing subparagraphs  
20                 (E) and (F).

21                 (2) In section 107—

22                         (A) By amending subparagraph (A) of  
23                         subsection (d)(1) as follows:

24                                 (i) strike “or” at the end of clause

25                                 (ii);



1 (ii) strike the period at the end of  
2 clause (iii) and insert “, or”;

3 (iii) add the following clause (iv) after  
4 clause (iii):

5 “(iv) notwithstanding clauses (i)  
6 through (iii), an area may be designated  
7 transitional for the PM 2.5 national pri-  
8 mary or secondary ambient air quality  
9 standards or the 8-hour ozone national pri-  
10 mary or secondary ambient air quality  
11 standard if the Administrator has per-  
12 formed air quality modeling and, in the  
13 case of an area that needs additional local  
14 control measures, the State has performed  
15 supplemental air quality modeling, dem-  
16 onstrating that the area will attain the ap-  
17 plicable standard or standards no later  
18 than December 31, 2015, and such mod-  
19 eling demonstration and all necessary local  
20 controls have been approved into the State  
21 implementation plan no later than Decem-  
22 ber 31, 2004.”.

23 (iv) add at the end a sentence to read  
24 as follows: “For purposes of the PM 2.5  
25 national primary or secondary ambient air



1 quality standards, the time period for the  
2 State to submit the designations shall be  
3 extended to no later than December 31,  
4 2003.”.

5 (B) By amending clause (i) of subsection  
6 (d)(1)(B) by adding at the end a sentence to  
7 read as follows: “The Administrator shall not  
8 be required to designate areas for the revised  
9 PM 2.5 national primary or secondary ambient  
10 air quality standards prior to 6 months after  
11 the States are required to submit recommenda-  
12 tions under section 107(d)(1)(A), but in no  
13 event shall the period for designating such  
14 areas be extended beyond December 31, 2004.”.

15 (3) In section 110 as follows:

16 (A) By amending clause (i) of subsection  
17 (a)(2)(D) by inserting “except as provided in  
18 subsection (q),” before the word “prohibiting”.

19 (B) By adding the following new sub-  
20 sections at the end thereof:

21 “(q) REVIEW OF CERTAIN PLANS.—(1) The Admin-  
22 istrator shall, in reviewing, under clause (i) of subsection  
23 (a)(2)(D), any plan with respect to affected units, within  
24 the meaning of section 126(d)(1)—



1           “(A) consider, among other relevant factors,  
2           emissions reductions required to occur by the attain-  
3           ment date or dates of any relevant nonattainment  
4           areas in the other State or States;

5           “(B) not require submission of plan provisions  
6           mandating emissions reductions from such affected  
7           units, unless the Administrator determines that—

8                   “(i) emissions from such units may be re-  
9                   duced at least as cost-effectively as emissions  
10                  from each other principal category of sources of  
11                  sulfur dioxide or nitrogen oxides, including in-  
12                  dustrial boilers, on-road mobile sources, and  
13                  off-road mobile sources, and any other category  
14                  of sources that the Administrator may identify,  
15                  and

16                   “(ii) reductions in such emissions will im-  
17                  prove air quality in the other State’s or States’  
18                  nonattainment areas at least as cost-effectively  
19                  as reductions in emissions from each other prin-  
20                  cipal category of sources of sulfur dioxide or ni-  
21                  trogen oxides, to the maximum extent that a  
22                  methodology is reasonably available to make  
23                  such a determination;

24           “(C) develop and appropriate peer re-  
25           viewed methodology for making determinations



1 under subparagraph (B) by December 31,  
2 2006; and

3 “(D) not require submission of plan provi-  
4 sions subjecting affected units, within the  
5 meaning of section 126(d)(1), to requirements  
6 with an effective date prior to January 1, 2012.

7 “(2) In making the determination under clause (ii)  
8 of subparagraph (B) of paragraph (1), the Administrator  
9 will use the best available peer- reviewed models and meth-  
10 odology that consider the proximity of the source or  
11 sources to the other State or States and incorporate other  
12 source characteristics.

13 “(3) Nothing in paragraph (1) shall be interpreted  
14 to require revisions to the provisions of 40 CFR 51.121  
15 and 51.122 (2001), as would be amended in the notice  
16 of proposed rulemaking at 67 Federal Register 8396 (Feb-  
17 ruary 22, 2002);”.

18 “(r) TRANSITIONAL AREAS.—

19 “(1) MAINTENANCE.—(A) By December 31,  
20 2010, each area designated as transitional pursuant  
21 to section 107(d)(1) shall submit an updated emis-  
22 sion inventory and an analysis of whether growth in  
23 emissions, including growth in vehicle miles traveled,  
24 will interfere with attainment by December 31,  
25 2015.



1           “(B) No later than December 31, 2011, the Ad-  
2           ministrator shall review each transitional area’s  
3           maintenance analysis, and, if the Administrator de-  
4           termines that growth in emissions will interfere with  
5           attainment by December 31, 2015, the Adminis-  
6           trator shall consult with the State and determine  
7           what action, if any, is necessary to assure that at-  
8           tainment will be achieved by 2015.

9           “(2) PREVENTION OF SIGNIFICANT DETERIORA-  
10          TION.—Each area designated as transitional pursu-  
11          ant to section 107(d)(1) shall be treated as an at-  
12          tainment or unclassifiable area for purposes of the  
13          prevention of significant deterioration provisions of  
14          part C of this title.

15          “(3) CONSEQUENCES OF FAILURE TO ATTAIN  
16          BY 2015.—No later than June 30, 2016, the Admin-  
17          istrator shall determine whether each area des-  
18          ignated as transitional for the 8-hour ozone stand-  
19          ard or for the PM 2.5 standard has attained that  
20          standard. If the Administrator determines that a  
21          transitional area has not attained the standard, the  
22          area shall be redesignated as nonattainment within  
23          1 year of the determination and the State shall be  
24          required to submit a State implementation plan revi-





1 sion satisfying the provisions of section 172 within  
2 3 years of redesignation as nonattainment.”.

3 (4) By adding to section 111(b)(1) a new sub-  
4 paragraph (C) to read as follows:

5 “(C) No standards of performance promul-  
6 gated under this section shall apply to units  
7 subject to regulations promulgated pursuant to  
8 section 481.”.

9 (5) By amending section 112 as follows:

10 (A) Paragraph (1) of subsection (c) is  
11 amended to read as follows:

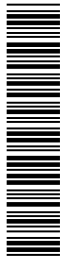
12 “(1) IN GENERAL.—Not later than 12 months  
13 after November 15, 1990, the Administrator shall  
14 publish, and shall from time to time, but not less  
15 often than every 8 years, revise, if appropriate, in  
16 response to public comment or new information, a  
17 list of all categories and subcategories of major  
18 sources and area sources (listed under paragraph  
19 (3)) of the air pollutants listed pursuant to sub-  
20 section (b). Electric utility steam generating units  
21 not subject to section 3005 of the Solid Waste Dis-  
22 posal Act shall not be included in any category or  
23 subcategory listed under this subsection. The Ad-  
24 ministrator shall have the authority to regulate the  
25 emission of hazardous air pollutants listed under



1 section 112(b), other than mercury compounds, by  
2 electric utility steam generating units in accordance  
3 with the regime set forth in section 112(f)(2)  
4 through (4). Any such regulations shall be promul-  
5 gated within, and shall not take effect before, the  
6 date 8 years after the commencement date of the  
7 mercury allowance requirement of section 472. To  
8 the extent practicable, the categories and subcat-  
9 egories listed under this subsection shall be con-  
10 sistent with the list of source categories established  
11 pursuant to section 111 and part C. Nothing in the  
12 preceding sentence limits the Administrator's au-  
13 thority to establish subcategories under this section,  
14 as appropriate.”.

15 (B) Subparagraph (A) of subsection (n)(1)  
16 is amended to read as follows:

17 “(A) The Administrator shall perform a  
18 study of the hazards to public health reasonably  
19 anticipated to occur as a result of emissions by  
20 electric utility steam generating units of pollut-  
21 ants listed under subsection (b) after imposition  
22 of the requirements of this Act. The Adminis-  
23 trator shall report the results of this study to  
24 the Congress within 3 years after November 15,  
25 1990.”.



1 (6) Section 126 is amended as follows:

2 (A) By replacing “section 110(a)(2)(D)(ii)  
3 or this section” in subsection (b) with “section  
4 110(a)(2)(D)(i)”.

5 (B) By replacing “this section and the pro-  
6 hibition of section 110(a)(2)(D)(ii)” in sub-  
7 section (e)(1) with “the prohibition of section  
8 110(a)(2)(D)(i)”.

9 (C) In the flush language at end of sub-  
10 section (c) by striking “section  
11 110(a)(2)(D)(ii)” and inserting “section  
12 110(a)(2)(D)(i)” and deleting the last sentence.

13 (D) By amending subsection (d) to read as  
14 follows:

15 “(d)(1) For purposes of this subsection, the term ‘af-  
16 fected unit’ means any unit that is subject to emission  
17 limitations under subpart 2 of part B, subpart 2 of part  
18 C, or part D.

19 “(2) To the extent that any petition submitted under  
20 subsection (b) after the date of enactment of the Clear  
21 Skies Act of 2003 seeks a finding for any affected unit,  
22 then, notwithstanding any provision in subsections (a)  
23 through (c) to the contrary—

24 “(A) in determining whether to make a finding  
25 under subsection (b) for any affected unit, the Ad-



1 administrator shall consider, among other relevant fac-  
2 tors, emissions reductions required to occur by the  
3 attainment date or dates of any relevant nonattain-  
4 ment areas in the petitioning State or political sub-  
5 division;

6 “(B) the Administrator may not determine that  
7 affected units emit, or would emit, any air pollutant  
8 in violation of the prohibition of section  
9 110(a)(2)(D)(i) unless that Administrator deter-  
10 mines that—

11 “(i) such emissions may be reduced at  
12 least as cost-effectively as emissions from each  
13 other principal category of sources of sulfur di-  
14 oxide or nitrogen oxides, including industrial  
15 boilers, on-road mobile sources, and off-road  
16 mobile sources, and any other category of  
17 sources that the Administrator may identify;  
18 and

19 “(ii) reductions in such emissions will im-  
20 prove air quality in the petitioning State’s non-  
21 attainment area or areas at least as cost-effec-  
22 tively as reductions in emissions from each  
23 other principal category of sources of sulfur di-  
24 oxide or nitrogen oxides to the maximum extent



1           that a methodology is reasonably available to  
2           make such a determination.

3           In making the determination under clause (ii), the  
4           Administrator shall use the best available peer-re-  
5           viewed models and methodology that consider the  
6           proximity of the source or sources to the petitioning  
7           State or political subdivision and incorporate other  
8           sources characteristics.

9           “(C) The Administrator shall develop an appro-  
10          priate peer reviewed methodology for making deter-  
11          minations under subparagraph (B) by December 31,  
12          2006.

13          “(D) The Administrator shall not make any  
14          findings with respect to an affected unit under this  
15          section prior to January 1, 2009. For any petition  
16          submitted prior to January 1, 2007, the Adminis-  
17          trator shall make a finding or deny the petition by  
18          the January 31, 2009.

19          “(E) The Administrator, by rulemaking, shall  
20          extend the compliance and implementation deadlines  
21          in subsection (c) to the extent necessary to assure  
22          that no affected unit shall be subject to any such  
23          deadline prior to January 1, 2012.”.

24          (b) TITLE III.—Section 307(d)(1)(G) of title III of  
25          the Clean Air Act is amended to read as follows:

1                   “(G) the promulgation or revision of any  
2                   regulation under title IV,”.

3           (e) NOISE POLLUTION.—Title IV of the Clean Air  
4 Act (relating to noise pollution) (42 U.S.C. 7641 et seq.)  
5 is redesignated as title VII and amended by renumbering  
6 sections 401 through 403 as sections 701 through 703,  
7 respectively.

8           (d) SECTION 406.—Title IV of the Clean Air Act  
9 Amendments of 1990 (relating to acid deposition control)  
10 is amended by repealing section 406 (industrial SO<sub>2</sub> emis-  
11 sions).

12           (e) MONITORING.—Section 821(a) of title VIII of the  
13 Clean Air Act Amendments of 1990 (miscellaneous provi-  
14 sions) is amended by modifying section 821(a) to read as  
15 follows:

16           “(a) MONITORING.—The Administrator of the Envi-  
17 ronmental Protection Agency shall promulgate regulations  
18 within 18 months after November 15, 1990, to require  
19 that all affected sources subject to subpart 1 of part B  
20 of title IV of the Clean Air Act as of December 31, 2009,  
21 shall also monitor carbon dioxide emissions according to  
22 the same timetable as in section 405(b). The regulations  
23 shall require that such data be reported to the Adminis-  
24 trator. The provisions of section 405(e) of title IV of the  
25 Clean Air Act shall apply for purposes of this section in



1 the same manner and to the same extent as such provision  
2 applies to the monitoring and data referred to in section  
3 405. The Administrator shall implement this subsection  
4 under 40 CFR part 75 (2002), amended as appropriate  
5 by the Administrator.”.

