THE FOREIGN POLLUTION FEE ACT

Co-introduced by Senators Bill Cassidy (R-LA) and Lindsey Graham (R-SC)

PROPOSAL IN BRIEF

The Foreign Pollution Fee (FPF) Act is an American plan designed to address environmental, economic, and national security concerns by imposing fees on imported goods based on their pollution intensity. It leverages America's comparative advantage in environmental performance to rein in state-owned enterprises and weaken their control of global supply chains in key industrial sectors.

STRATEGIC OBJECTIVES

- **Counter China's unfair trade practices –** This plan will level the international playing field and help U.S. businesses compete against non-market economies.
- **Stengthen global supply chains -** Encouraging trade with a broader range of countries will diversify the sources of goods and materials, making global supply chains more resilient to geopolitical tensions and regional disruptions.
- **Bring back manufacturing jobs that have gone overseas -** By discouraging imports of pollution-intensive goods and favoring domestically produced items, the U.S. will reduce its dependency on foreign suppliers, leading to more robust and reliable supply chains within the country.
- **Boost U.S. export opportunities -** High-polluting countries will require more U.S. inputs, feedstocks, and technologies to reduce the pollution intensity of their manufacturing.
- **Enhance trade with like-minded partners -** By fostering trade relationships with countries that have similar environmental and economic standards, the Foreign Pollution Fee will create a network of reliable and cooperative trade partners. The plan encourages partnerships with emerging markets and developing countries, many of which face stagnation and deindustrialization due to the Chinese Communist Party's predatory trade and investment practices.
- **Reward investments in industrial decarbonization -** International partners will have an incentive to adopt cleaner production methods to avoid the fee. Domestic producers will consistently improve their emissions performance relative to foreign competitors.

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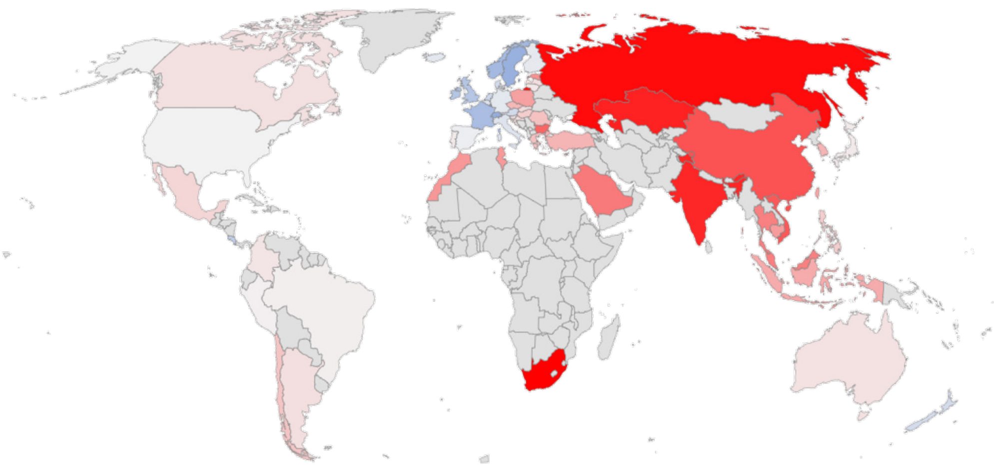
KEY PROVISIONS

FEE DESIGN

The legislation imposes a fee on products imported into the U.S. that are dirtier than their American-produced counterparts. There is no domestic fee for American production. The fee increases as the difference in pollution between a foreign country and the U.S. grows.

The rate of the Fee is set to correlate to the environmental performance of U.S. production and U.S. imports to qualify for the WTO's environmental policy exception. The Fee can be waived or reduced under certain exceptions, including national security needs and domestic sourcing constraints.

Carbon Intensities by Country



Economy-wide manufacturing carbon intensities relative to U.S. displayed by country.

Image from Climate Leadership Council

COVERED PRODUCTS

Covered products facing the Foreign Pollution Fee include aluminum, cement, glass, iron, fertilizer and steel. New products can become a covered category via petition process.

INTERNATIONAL PARTNERSHIPS

International Partnerships are agreements between the U.S. and a participating country to establish an FPF-like system for imports from non-participating countries. They eliminate most fees between the partner countries and lower other foreign trade barriers for products covered within the legislation. This is a key driver of economic opportunity for U.S. producers and provides an avenue to displace Chinese production in global markets.

International Partnerships can be negotiated bilaterally or multilaterally. They can include all or some of the covered products. A country maintains the authority to determine its own domestic policies.

SAFEGUARDS TO PREVENT CIRCUMVENTION

Using national pollution intensities instead of manufacturer-specific values helps prevent circumvention, such as price manipulation, ownership of production in other countries, or using other countries as a pass-through. The legislation identifies and addresses circumvention attempts and tasks the Department of the Treasury and the Office of the U.S. Trade Representative with addressing with counter-measures, which could involve adjusting fee rates.