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

- **Combat China's Exploitation of Trade Rules –** This plan will level the playing field for U.S. businesses by countering the unfair practices of non-market economies like China, ensuring American manufacturers can compete and thrive.

- **Strengthen Global Supply Chain Resilience –** Diversifying trade relationships will reduce dependence on adversarial nations, making supply chains more secure against geopolitical disruptions and enhancing national security.

- **Revitalize American Manufacturing –** By discouraging imports of pollution-intensive goods, this plan will bring jobs back home, strengthen domestic industries, and reduce reliance on foreign suppliers.

- **Expand U.S. Export Markets –** As high-polluting countries modernize their industries, they'll increasingly demand American-made inputs, feedstocks, and cutting-edge technologies, opening new opportunities for U.S. exports.

- **Deepen Trade Ties with Allies –** By promoting partnerships with nations that share our economic and environmental values, this plans builds a coalition against predatory practices by the Chinese Communist Party, supporting emerging markets and allies alike.

- **Reward Leadership in Cleaner Manufacturing –** The policy incentivizes international partners to adopt cleaner production methods while ensuring that domestic manufacturers maintain a competitive edge by continuing to lead in industrial decarbonization.

For more information contact Christine_Harbin@cassidy.senate.gov

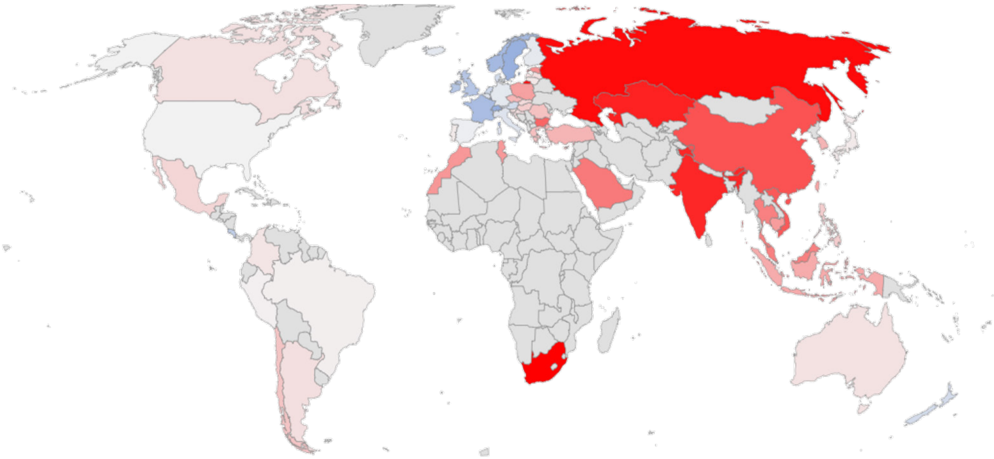
KEY PROVISIONS

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 Efficiencies by Country



Economy-wide manufacturing carbon efficiencies relative to U.S. displayed by country.
Source: Climate Leadership Council, 2024

COVERED PRODUCTS

Covered products facing the Foreign Pollution Fee include iron and steel, cement, aluminum, glass, and fertilizer.

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 with addressing with counter-measures, which could involve adjusting fee rates.