

## **Section-by-Section Summary: Foreign Pollution Fee Act of 2025**

### **Section 1 – Short Title**

Designates the bill as the “Foreign Pollution Fee Act of 2025.”

### **Section 2 – Sense of Congress; Purpose**

Expresses congressional findings highlighting the competitive disadvantage faced by U.S. manufacturers due to weaker environmental standards abroad. States the purpose of the Act: to level the playing field for American workers and manufacturers by ensuring foreign producers cannot exploit lax environmental practices.

### **Section 3 – Rule of Construction**

Clarifies that the Act does not authorize any carbon tax or fee on domestically produced goods.

### **Title I – Foreign Pollution Fee**

Creates a new subchapter in the Internal Revenue Code establishing the Foreign Pollution Fee system, including definitions, fee calculation, product scope, international coordination, and enforcement.

#### **Sec. 4691 – Definitions**

Establishes key terms such as 'pollution intensity,' 'covered product,' 'baseline pollution intensity,' 'nonmarket economy country,' and 'foreign entity of concern'.

#### **Sec. 4692 – Imposition of Foreign Pollution Fee**

Imposes an ad valorem fee on imports of covered products based on pollution intensity differences, payable by the importer of record at the time of entry.

#### **Sec. 4693 – Determination of Variable Charge**

Sets the tiered fee structure based on pollution intensity differences, with higher fees for dirtier products and multipliers for nonmarket economies and foreign entities of concern.

#### **Sec. 4694 – Calculation of Pollution Intensity**

Outlines the methodology for determining pollution intensity, including data sources, emissions categories (direct, indirect, transportation), and treatment of recycled content and carbon offsets.

#### **Sec. 4695 – Treatment of International Partnerships**

Allows fee reductions or exemptions for countries that enter into international partnership agreements and meet defined environmental and trade standards.

### **Sec. 4696 – Covered Products**

Lists products subject to the fee, including iron, steel, aluminum, cement, glass, fertilizers, hydrogen, solar components, and battery inputs.

### **Sec. 4697 – Advisory Committee on Global Pollution Challenges**

Establishes a committee to assist in methodology development and data validation for pollution intensity calculations.

### **Sec. 4698 – Establishment Process and Reassessments**

Directs Treasury to issue rules to implement and periodically reassess the fee structure, product classifications, and pollution intensity methodologies.

## **Title II – International Partnership Agreements Relating to Pollution Fees**

Authorizes USTR to negotiate international agreements that align standards and allow for fee reductions if criteria are met. Sets conditions and timelines for participation by developing countries.

### **Section 201 – International Partnership Agreements**

Outlines criteria for entering into agreements, including reciprocal treatment, monitoring requirements, and exclusion of nonmarket economies.

### **Section 202 – Application of Fee in Partnerships**

Describes how reduced fees apply to partner countries and how noncompliance triggers full fee application.

### **Section 203 – Support for Developing Countries**

Authorizes aid and technical assistance to help low- and lower-middle-income countries meet partnership standards.

### **Section 204 – Facility-Specific Treatment**

Creates a process for foreign facilities to qualify for lower pollution intensity ratings if they meet strict monitoring and ownership requirements.

### **Section 205 – Definitions**

Provides additional definitions for Title II, including terms like 'free trade agreement' and 'United States entity'.

## **Title III – Other Matters**

Includes reporting requirements and oversight provisions to assess the Act's economic and trade impacts.

### **Section 301 – Annual Report**

Requires Treasury to submit annual reports to Congress on implementation outcomes, job impacts, and trade competitiveness.