

Frequently Asked Questions: Foreign Pollution Fee Act of 2025

Why is this needed?

The Foreign Pollution Fee Act is a strategic trade and manufacturing policy designed to counter unfair trade practices related to the environment, ensuring U.S. manufacturers can compete on a level playing field. U.S. manufacturers, for example, spend an average of \$17,200 per employee on environmental compliance, while competitors in countries like China and Russia often avoid such costs.

By rewarding U.S. workers and companies for their environmental performance, the policy revitalizes American industry—bringing jobs back home, reducing reliance on foreign adversaries, and strengthening domestic supply chains. It also promotes global supply chain resilience by diversifying trade relationships, enhances U.S. export opportunities, and deepens ties with trading partners who share American economic and environmental values. Ultimately, the Act rewards leadership in cleaner manufacturing and helps maintain the global competitiveness of U.S. industry.

While existing tools like Section 232 (national security) and Section 301 (retaliation for unfair trade practices) address important strategic and economic threats, they largely overlook trade distortions caused by lax environmental standards and enforcement abroad. The Foreign Pollution Fee Act (FPFA) fills that gap with a targeted, transparent, and rules-based approach that directly addresses pollution-based unfair competition. Unlike recent across-the-board tariffs, which have added complexity and uncertainty for U.S. industries, the FPFA offers clarity and stability—delivering measured relief tailored to specific industrial needs. It establishes a secure and transparent policy framework grounded in clear statutory authority, restoring predictability and fairness to the global trade environment.

How does it complement existing trade enforcement tools?

The FPFA adds an environmental dimension to U.S. trade enforcement as it targets unfair trade practices related to poor environmental standards, compliance, and enforcement. The trade countermeasure can operate in parallel with Section 232 and Section 301 tariffs, as well as antidumping and countervailing duties, to help level the playing field.

What safeguards are included to prevent circumvention?

Robust safeguards prevent circumvention, including anti-evasion authority for the Department of Commerce, traceability requirements for importers, and enforcement support from the Trade Remedy Law Enforcement Division. The law allows facility-specific treatment only under certain conditions and mandates that emissions data be verifiable and accurate. These tools help ensure that importers cannot avoid the fee through transshipment, false documentation, or fraudulent emissions claims.

Which products are covered?

Several energy- and emissions-intensive sectors are included: steel, aluminum, cement, glass, fertilizer, hydrogen, solar components, and certain battery inputs. Each product is

tied to a specific Harmonized Tariff Schedule (HTS) code, generally at the 6-digit level or more detailed.

How does the fee work?

The bill imposes a fee on imports of certain energy-intensive goods based on the pollution intensity of their production. If foreign producers emit more pollution per ton of product than the U.S. baseline for covered goods, they will pay a fee at the U.S. border. The bigger the gap is, the higher the fee.

The variable charge is a percentage fee applied to the customs value of imported goods based on how much more pollution-intensive they are compared to equivalent U.S.-made goods. Products are grouped into three tiers: Tier 1 (10–20% fee) for modest polluters, Tier 2 (20–200%) for high polluters, and Tier 3 (up to 210%) for the worst offenders. Additional multipliers apply to imports from nonmarket economies and foreign entities of concern, increasing the fee up to fourfold.

Who pays the fee?

The importer of record pays the fee at the time of entry, just like other customs duties.

Is the fee linked to a domestic pollution tax or regulation?

No. The bill includes language expressly prohibiting a domestic carbon tax. It only seeks to reward the environmental performance of U.S. workers and industry as the current trade regime fails to do so.

How will the Foreign Pollution Fee impact consumer prices and trade flows?

By targeting the worst polluters, the FPFA encourages cleaner production without broadly raising prices. It shifts trade toward cleaner producers, including American manufacturers.

How is pollution defined?

Pollution includes emissions of carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and other greenhouse gases identified by the Secretary of the Treasury. The bill uses **carbon efficiency**—the amount of greenhouse gas emissions per unit of output—as the key metric for pollution because it is widely available, well-established, and already used by many industries to benchmark performance. This approach ensures consistency, comparability, and practicality in assessing pollution intensity across global producers.

Where does the pollution information come from?

Pollution intensity data comes from facility-level emissions reports, government databases, satellite data, engineering models, and verified third-party sources. Countries may submit their own data if it meets U.S. standards.

How would the administration implement the Foreign Pollution Fee?

Implementation is led by the Department of the Treasury, which is responsible for setting the fee rates, and publishing rules. Treasury also oversees the calculation of pollution intensity values and the official fee schedule.

The Department of Commerce, in coordination with Homeland Security and USTR, can investigate attempts to game the system and recommend fee adjustments to deter unfair practices. Commerce determines which countries qualify as *nonmarket economies* and helps identify evasion or circumvention of the fee.

The U.S. Trade Representative (USTR) negotiates International Partnership Agreements with allied countries. These agreements allow for reduced or waived fees if partner countries meet reciprocal treatment standards and commit to verifiable pollution monitoring and reductions.

The Environmental Protection Agency (EPA) and Department of Energy (DOE) support implementation by providing technical expertise on emissions, industrial processes, and pollution intensity calculations. Their input ensures the fee is based on accurate, science-driven data that fairly reflects differences in production-related pollution.

Fees are collected by U.S. Customs and Border Protection, alongside duties. The Treasury can require bonds or other security to ensure payment.

Impacts on U.S. International Relations

What is an International Partnership?

An International Partnership is a bilateral or multilateral agreement between the United States and a foreign country that aligns environmental and trade standards to support fair competition. Under these agreements, partner countries receive reduced or waived Foreign Pollution Fees on covered products if they meet key conditions. These agreements are negotiated by the USTR and are subject to public transparency and Congressional review. Partnerships are designed to encourage cleaner production globally, reward responsible trading partners, and help build a network of trusted supply chains that advance both U.S. economic and environmental interests.

Is FPF compliant with World Trade Organization (WTO) rules?

Yes. The FPF is carefully designed to comply with WTO rules by applying fees in a non-discriminatory, environmentally justified, and trade-consistent manner. It does not target specific countries, but rather applies fees based on the pollution intensity of products—measured in carbon dioxide equivalent emissions—relative to U.S. benchmarks. This approach aligns with WTO principles that allow trade measures to protect the environment, provided they are not arbitrary or unjustifiably discriminatory.

How does the FPFA treat developing economies and non-market economies?

Low- and lower-middle-income countries have longer timelines and lower initial requirements. The U.S. may offer aid and technical assistance to support their participation and compliance.

Non-market economies, like China, face enhanced fees—up to 4x the base rate. They are not eligible for partnerships or facility-specific treatment.

How does it compare to the EU's Carbon Border Adjustment Mechanism (CBAM)?

The Foreign Pollution Fee (FPF) and the EU's Carbon Border Adjustment Mechanism (CBAM) share the goal of addressing emissions from imports, but they differ significantly in structure and focus. Unlike the EU CBAM, which mirrors a domestic carbon price and requires foreign producers to purchase emissions certificates, the FPF does not impose any domestic carbon tax and instead ties the fee directly to the pollution intensity difference between foreign and U.S. production. The FPF also applies more broadly to a range of greenhouse gases, includes stronger enforcement tools to prevent evasion, and offers more flexible, incentive-based pathways—such as international partnerships and facility-specific treatment—to promote cleaner production abroad. These design differences make the FPF more focused on leveling the playing field for U.S. manufacturers while encouraging global emissions reductions through trade.

How does this differ from the version introduced in 2023?

The 2025 version of the Foreign Pollution Fee Act reflects extensive stakeholder feedback and strengthens the policy framework across the board. It narrows the scope of covered products to focus on U.S. energy-intensive sectors that suffer the most from unfair trade practices, improving administrative feasibility and enforcement. Crude oil, natural gas, petrochemicals, plastics, and refined petroleum products are excluded in the 2025 version. It also removes the petition process, meaning any additions to the covered product list must be approved by Congress.

The updated bill provides clearer definitions and procedures for calculating the fee, along with a refined tiered fee structure that closely ties the charge to pollution intensity differences. On international cooperation, the 2025 version streamlines the process for entering into international partnerships and gives the U.S. Trade Representative greater flexibility to negotiate reduced or even zero fees—rather than automatically waiving fees.

It also strengthens anti-evasion provisions, including enhanced traceability and enforcement mechanisms, and improves the treatment of carbon offsets, especially for durable carbon removal, to help create a demand-pull for U.S.-based carbon removal technologies. These updates make the 2025 version more targeted, enforceable, and aligned with U.S. economic security priorities.