Reference Guide

Carbon Import Fees: Active and Proposed Policies

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INTRODUCTION

Carbon import fees are gaining traction around the world. This novel policy tool would impose a charge on imported goods based on their emissions intensity, the greenhouse gases (GHGs) associated with production of a set value or volume of a good.

Proposals for carbon import fees vary significantly in terms of how they approach policy design decisions. This piece compares notable design differences in policy proposals from the EU and UK markets, the Biden-Harris administration, and the U.S. Congress in the years 2023 and 2024. This paper does not discuss emerging approaches that remain obscure or tenuous. For example, Taiwan's proposed Carbon Border Adjustment Mechanism (CBAM),[i] Canada's ongoing CBAM consultations,[ii] Australia's carbon leakage study,[iii] internal consultations in South Korea,[iv] and Japan,[v] and a variety of policy concepts in India.[vi]

Important carbon import fee design parameters that differ across proposals include:

- *Covered products*. Describes the product categories that will face a carbon charge under the proposed policy.
- *Domestic treatment*. Indicates whether the carbon charge would apply only to importers, or also to domestic firms.
- *Carbon charge*. Describes the rate at which emissions are priced under the policy design. These charges can be designed to use a specific greenhouse gas price (dollars per ton of emissions), a product-specific charge (dollars per ton of product), or an ad valorem structure (a percentage of the value of the imported product).
- *Covered Emissions*. For each product category, a policy will clarify the gases and the types of emissions that must be monitored and reported (direct emissions, indirect emissions, emissions from material inputs).
- *Revenue usage*. Explains how collected revenue may finance specific projects or funds.

Additional design elements may provide fee exceptions for developing nations, countries engaged in international partnerships, or countries that have already adopted carbon pricing tools of their own.

Across all policy proposals, some design decisions have been deferred to future deliberations. Table 1 summarizes the key design elements of the carbon import fee proposals that we understand at the time of this guide's release.

This piece will be updated as new policies and details emerge.

KEY TERMS:

- **Ad-valorem charge:** a fee that is assessed based on the value of the good. For example, a 30% ad-valorem charge on a good worth $100 would come out to $30.
- **Carbon advantage:** exists when firm or country produces the same quantity of goods with fewer emissions than its competitors.
- **Carbon leakage:** a phenomenon in which carbon-intensive industries shift abroad to avoid higher environmental regulation and associated costs.
- **Carbon loophole:** refers to the 25% of global emissions that are embodied in goods traded internationally.
- **Default values:** substitute values, either calculated or drawn from secondary data, that can represent the embodied emissions of a good when real data is not available.
- **Direct emissions:** the emissions associated with manufacturing of a covered goods resulting from fuel combustion, electricity generation, heating, and cooling within a facility.
- **Embodied emissions:** the greenhouse gas emissions that are associated with the production of a covered good.
- **Emissions trading system (ETS):** a market-based carbon pricing approach in which producers buy and surrender allowances to match their emissions output in a given period. The government sets a cap on the total amount of permitted emissions and the market determines the allowance price.
- **Free allowance:** a certificate granted to facilities within an ETS that can be used instead of purchased allowances to their annual emissions.
- **Greenhouse gas (GHG):** a gas that traps heat in Earth's atmosphere and contributes to planet warming. The U.S. Greenhouse Gas Reporting Program (GHGRP) and many other international systems presently consider the following six GHGs: CO_2, CH_4, N_2O, HFCs, PFCs, SF_6.
- **Importer:** the entity who submits a customs declaration for an imported good.
- **Indirect emissions:** emissions from purchased electricity and energy sources that are used to manufacture a covered product.
- **Material inputs:** also referred to as *precursors*, these are goods that are incorporated into the manufacturing process somewhere along the supply chain of a covered product. The emissions associated with production of these upstream products are distinct from direct and indirect emissions and are often a significant portion of a product's total embodied emissions. Production of pig iron, for example, can be responsible for up to 70% of the emissions associated with iron & steel manufacturing using the blast furnace production route.[vii]
- **Non-market Economies**: countries that do not operate on market principals of pricing structures, such that domestic sales and exports do not reflect the fair value of the good.
- **Product-specific charge:** a fixed fee applied to a unit of a good.

TABLE 1: POLICY PROPOSALS FOR CARBON INTENSITY IMPORT FEES

Policy	Covered Products	Domestic Treatment	Carbon Charge	Covered Emissions	Revenue Usage
European Union CBAM	4 energy-intensive products & 1 fuel, and electricity	Yes	Based on EU ETS allowance price ($72/ton CO_2e as of Q3, 2024) [viii]	CO_2, PFCs, N_2O	25% to member states, 75% to the EU budget
United Kingdom CBAM	4 energy-intensive product categories & 1 energy product	Yes	Based on EU ETS allowance price ($53/ton CO_2e as of Q3, 2024) [ix]	CO_2, other gases TBD	TBD
Global Arrangement on Sustainable Steel and Aluminum	Iron & steel, aluminum	N/A	TBD	CO_2 , other gases TBD	TBD
Foreign Pollution Fee Act of 2023	Fuels, energy-intensive products & clean energy goods	No	*Ad valorem* “variable tariffs” based on emissions intensity relative to U.S.-made products	CO_2, CH_4, N_2O, HFCs, PFCs, SF_6	TBD
Clean Competition Act of 2023	Fuels and energy-intensive products	Yes	$55/ton CO_2e (2025), rising annually by 5% plus inflation	CO_2, CH_4, N_2O, HFCs, PFCs, SF_6	75% to domestic industrial decarbonization; 25% to assist climate and clean energy programs abroad.
MARKET CHOICE Act of 2023	Fuels, industrial products & clean energy goods	Yes	$35/ton CO_2e (2025), rising annually by 5% plus inflation	CO_2, CH_4, N_2O, HFCs, PFCs, SF_6	75% to infrastructure, low-income households, and climate adaptation; 25% to Treasury.
Energy Innovation and Carbon Dividend Act of 2023	Fuels and energy-intensive products	Yes	$15/ton CO_2e (2023), rising annually by $10/ ton plus inflation	CO_2, CH_4, N_2O	Unused revenue goes to UN’s Green Climate Fund (domestic pricing revenue handled separately).
America’s Clean Future Fund Act of 2024	Fuels and energy-intensive products	Yes	$65/ton CO_2e (2026), rising annually by $10/ ton plus inflation	CO_2, CH_4, N_2O, HFCs, PFCs, SF_6	75% to low- and middle-income individuals through rebates, 25% to climate change adaptation and mitigation projects.
Honorable Mention: **PROVE IT Act of 2024**	Fuels, industrial products & clean energy goods	Studies U.S. and foreign products	Purely a study, no fee	CO_2, CH_4, N_2O, HFCs, PFCs, SF_6	N/A

ACTIVE: EUROPEAN UNION'S CARBON BORDER ADJUSTMENT MECHANISM (CBAM)

The EU launched the world's first carbon import fee on October 1, 2023.[x] The CBAM was introduced as a part of the EU's Fit for 55 package, which aims to the cut the bloc's emissions 55% by 2030 and achieve net zero emissions by 2050.[xi] The EU CBAM is now in its transitional phase, during which importers of covered products must share emissions information related to the manufacturing of their goods.

Covered Products
Beginning in 2026, importers will be charged a fee on the carbon emissions associated with the production of the following covered goods.

Energy-Intensive Products	Fuels and Electricity
Iron & steel	Hydrogen
Aluminum	Electricity
Cement	
Fertilizers	

By the time the CBAM's transitional period ends on December 31, 2025, the European Commission will have compiled a report for the Council and Parliament that will review the mechanism. This report will explore potential amendments to the CBAM's scope, including an expansion to cover emissions from transportation and other sectors. Early indications suggest that organic chemicals and polymers could also be on deck for coverage under the CBAM.[xii]

Domestic Treatment
The EU already has a domestic carbon pricing measure in place and the EU CBAM is meant to complement it. The EU plans to phase in the CBAM while gradually replacing the current practice of providing free allowances to specific covered industries within the EU ETS. Originally introduced to mitigate domestic costs associated with carbon leakage, these allowances are slated to be phased out by 2034. By that time, all industries covered by the EU ETS are also expected to be included within the CBAM framework.

Carbon Charge
The EU CBAM will require importers to purchase certificates equivalent to the total embodied emissions of the covered good. The price of these certificates will be determined by the weekly average auction price of the EU Emissions Trading System (ETS). This domestic carbon pricing scheme sets a cap on emissions and requires facilities to buy allowances to cover their emissions for the previous year. Importers will also be required to file an annual CBAM declaration, which will include the overall quantity of imported goods, the total embodied emissions, the total CBAM certificates surrendered, the carbon price paid in the country of origin, and proof of verification.

With these reforms, covered imports and domestically produced goods will face the same carbon prices when selling into the EU market. This translated to an average price of $70/ton CO_2e in the first three quarters of 2024. The mechanism will allow for carbon prices already paid in the country of origin to be subtracted from the CBAM fee for imports.[xiii] Additional delegating acts that have yet to be released will presumably clarify which carbon pricing schemes will be accepted and to what degree.

Covered Emissions
The CBAM will cover direct emissions, indirect emissions from purchased electricity and energy services consumed during the production of covered goods, and emissions associated with the manufacturing of certain material inputs. The CBAM primarily covers CO_2 emissions but also covers PFCs for aluminum products and N_2O for some fertilizers.[xiv]

Our September 2023 white paper compiles additional details on compliance requirements.[xv] Based off the procedures outlined in the implementing regulation for the CBAM transitional phase, importers will need to report the embodied emissions of covered goods.[xvi] Additionally, their emissions reports must undergo independent verification. If measured or calculated emissions data is unavailable, importers will have the option to rely on predefined default values based on the average emissions intensity associated with the exporting country for that specific product category. When reliable data from exporting countries is unavailable, the European Commission will establish a default value based on the emissions data from the poorest performing EU installation producing that product.

Revenue Usage
The European Commission estimates that annual revenues from the CBAM will reach €9.1 billion by 2030.[xvii] This revenue will be appropriated to cover the CBAM's operational expenses. Member states will retain 25% of the remaining CBAM revenues and 75% will be made available to the general EU budget.

PROPOSED: UNITED KINGDOM'S CBAM

The United Kingdom intends to be the second jurisdiction to implement a CBAM. Although the exact design and execution of the UK CBAM will be subject to further consultation, it appears likely that the UK CBAM will be similar in design to the EU CBAM.[xviii]

Covered Products
Following extensive consultations, the UK government announced that it will impose a levy on imports of the following products starting in 2027.[xix]

Energy-Intensive Products	**Fuels**
Iron & steel	Hydrogen
Aluminum	
Cement	
Fertilizers	

A recent update dropped ceramics and glass from the list despite their inclusion in an earlier proposal.[xx] The UK CBAM will therefore cover the same initial list of goods as the EU CBAM, except the UK CBAM will not cover electricity.

Domestic Treatment
The UK already has a domestic ETS system, which requires British facilities to pay for allowances to cover their emissions in energy-intensive industries, the power sector, and aviation.

Carbon Charge
The price of the fee will match the price of the UK's own ETS, with deductions for any carbon price applied in the country of origin.

One divergence from the EU CBAM, however, is that the UK CBAM will impose its fee as a direct levy. The EU CBAM will mirror the EU ETS by requiring importers to purchase certificates to cover their emissions. The UK CBAM will similarly set its emissions fee based on the ETS allowance price, but it will be imposed as a direct fee on importers based on the embodied emissions of the good.

Another important difference between the UK and EU CBAMs is that the UK CBAM will not feature a reporting-only transitional phase. The UK CBAM will kick in simultaneously with mandatory emissions reporting.

Covered Emissions
The UK CBAM will cover direct and indirect emissions, as well as certain material inputs to ensure comparable coverage with the UK ETS. It is unclear whether the UK CBAM will diverge from the EU CBAM's carbon accounting methodologies.[xxi] The UK government is working with industry to "develop a framework which measures the carbon content of goods."[xxii]

Revenue Treatment
Yet to be determined.

PROPOSED: GLOBAL ARRANGEMENT ON SUSTAINABLE STEEL AND ALUMINUM (GASSA)

Coordinated tariff approaches are also being considered to leverage the combined power of developed economies. On October 31, 2021, the U.S. and the EU announced their intention to negotiate the terms of a Global Arrangement on Sustainable Steel and Aluminum (GASSA) that would address the carbon intensity of steel and aluminum production as well as global non-market excess capacity (NMEC).[xxiii]

If this envisioned arrangement is successfully implemented, it has the potential to reduce trade in the most carbon-intensive forms of steel and aluminum while discouraging the kind of state investments that have contributed to overcapacity in these sectors. The parties originally agreed to a two-year timeline for the negotiations; that deadline was revised to March 31, 2025.

Covered Products
This international agreement would apply initially to just two energy-intensive sectors: 1) iron & steel and 2) aluminum.

Domestic Treatment
There is no domestic component to this agreement.

Carbon Charge
The GASSA negotiators have been exploring several different policy design options. These include:
- A tiered tariff structure based on carbon intensity
- A design similar to the EU CBAM
- Targeted tariffs imposed on production from NMEC sources

Covered Emissions
To be determined.

Revenue Usage
To be determined.

Additional Details
While the U.S. and the EU are the sole participants in this round of negotiations, they have indicated their interest in inviting "like-minded economies to participate in the arrangements."[xxiv] Other major manufacturers including Canada, Japan, and the UK appear well positioned to join the agreement, which could lead to the formation of a sectoral carbon club.

The Council highlights the opportunities available to the U.S. and the EU if the GASSA negotiations are successful in our December 2023 white paper.[xxv]

PROPOSED: FOREIGN POLLUTION FEE ACT OF 2023

On November 2, 2023, Senators Bill Cassidy (R-LA) and Lindsey Graham (R-SC) introduced the Foreign Pollution Fee Act of 2023.[xxvi]

UPDATE: On December 11, 2024, Senators Bill Cassidy (R-LA) and Lindsey Graham (R-SC) issued a discussion draft for public comment in anticipation of formal reintroduction in 2025.[xxvii] The policy design choices in the draft differ from the language introduced in 2023. This gives stakeholders ample opportunity to wrestle with and comment on diverse potential approaches. It also indicates that the Senators are interested in moving toward a more streamlined, targeted framework in 2025.

Covered products
This carbon import fee proposal would establish a "foreign pollution fee" on imports of the following fuels, energy-intensive industrial products, and clean energy goods:

Fuels	**Energy-Intensive Products**	**Clean Energy Goods**
Biofuels	Aluminum	Critical minerals
Crude Oil	Ammonia	Lithium-ion batteries
Hydrogen	Cement	Solar cells & panels
Natural gas	Glass	Wind turbines
Methanol	Iron & steel	
Refined petroleum products	Petrochemicals & plastics	
	Pulp & paper	

The 2024 discussion draft includes fewer covered products than the 2023 version of the bill.

Fuels	**Energy-Intensive Products**
Hydrogen	Aluminum
	Cement
	Fertilizer
	Glass
	Iron & steel

The Foreign Pollution Fee Act also introduces a mechanism that allows stakeholders to request the inclusion of additional products.

Domestic Treatment
No fee would apply to domestic production of these covered goods.

Consistent with the 2023 proposal.

Carbon Charge
This carbon import fee would take the form of ad valorem "variable tariffs" that would increase based on the difference between the emissions intensity of imported goods and goods manufactured in the United States. The tariffs would be designed to reduce the carbon-intensity of U.S. imports over time to achieve an import mix that is no more than 10%-25% more carbon-intensive than domestic production.

The legislation would direct the U.S. Treasury Department to create an advisory board consisting of other executive branch agencies and informed stakeholders. This board would use publicly available data sources to determine the carbon-intensity of covered goods in the U.S. and abroad. Countries would have the option to adjust their determined emissions-intensity values if they can provide detailed and verifiable data.

The 2024 discussion draft begins at 15% ad valorem and increases with the pollution intensity difference of imports relative to U.S. production.

Covered Emissions
The emissions intensity of imported goods would be calculated based on the weighted average emissions intensity of production in the country of origin. The Foreign Pollution Fee Act accounts for direct emissions, indirect emissions from electricity generation, emissions associated with material inputs, and fugitive emissions–the unintentional release of gases during industrial production–stemming from extraction, refining, and transport. This determination will consider all GHGs reported under the U.S. Greenhouse Gas Reporting Program (GHGRP).[xxviii]

The 2024 discussion draft accounts for the same buckets of emissions excluding fugitive emissions from fuel extraction, refining, and transport.

Additional Details
The proposal focuses on catalyzing international collaboration. It aims to mobilize trading partners by exempting fees for countries that engage in international partnerships with the United States. Partner countries must ensure that the emissions intensity of their exports to the U.S. does not exceed 50% of the U.S. average for a given product. They would also be required to implement a similar framework of import fees based on emissions intensity, thereby expanding the price signal to other markets. Partners would also be required to enact "compatible" systems of monitoring, reporting, and verification (MRV) of emissions. These partnerships can be negotiated between two or more countries and may encompass any or all of the products covered by the legislation. For more on the international compatibility of emissions accounting approaches, see our recent working paper from April 2024.[xxix]

Finally, the Foreign Pollution Fee Act includes specific provisions for low and lower-middle income countries that opt to join in partnership with the United States. These provisions offer preferential treatment, such as the ability to calculate emissions intensity based solely on new production capacity, a flexible five-year window to meet the emissions intensity standards without facing fees, access to technical assistance, and access to development assistance for energy and manufacturing initiatives. Non-market economies, including China and Russia, would not be eligible for these partnership agreements.

Consistent with the 2023 proposal.

PROPOSED: CLEAN COMPETITION ACT OF 2023

The bicameral Clean Competition Act of 2023 was introduced by Senator Sheldon Whitehouse (D-RI) and Representative Suzan DelBene (D-WA-1). It would impose a carbon import fee on imports of certain products that would mirror a domestic carbon price.[xxx] The proposal was first introduced by Senator Whitehouse in the 117th Congress.

Covered Products

The proposal would apply to goods made at facilities that are required to report their GHG emissions under the GHGRP or that make or import the following fuels and energy-intensive industrial products (along with certain material inputs).

Fuels	**Energy-intensive Products**
Coal	Aluminum
Hydrogen	Cement & asphalt
Natural gas	Chemicals & fertilizers
Petroleum	Iron & steel
Refined petroleum products	Pulp & paper

Domestic Treatment

This bill includes a domestic carbon charge on manufacturers that emit above a determined benchmark, discussed further below.

Carbon Charge

From 2025 onwards, importers and domestic manufacturers of covered goods would be charged a carbon import fee on the fraction of emissions that exceed a U.S. performance benchmark in the specific sector. This U.S. benchmark would decline over time: 2.5% annually from 2025 to 2028, then 5% annually thereafter, to encourage producers to reduce the carbon intensity of their goods.

The fraction of emissions exceeding a U.S. benchmark would be determined by calculating the difference between the U.S. carbon intensity benchmark and the carbon intensity of:

- The general economy of the country of origin.
- The sector-specific average from the country of origin, if the Treasury Department determines that emissions data from the country of origin is “transparent, verifiable, and reliable,” and that the country operates as a “transparent market economy.”
- The specific facility where the good was manufactured, if the entity successfully files a petition with the Treasury Department to use their own monitored and calculated emissions.

The initial carbon price is set at $55 per ton in 2025, rising annually by 5% plus inflation.

Exporters of covered primary goods in the U.S. subject to the fee would be eligible for a rebate determined by the carbon intensity of the covered facility.

Starting in 2027, importers of finished goods containing more than 500 pounds of any combination of covered primary goods would also be subject to the carbon import fee. By 2029, the threshold for inclusion would decrease to 100 pounds. Starting in 2030, the Treasury Secretary has the option to further reduce this threshold to less than 100 pounds. This would have the effect of expanding coverage to goods that incorporate covered products, like automobiles, industrial machinery, home appliances, and other manufactured products.

Covered Emissions
This policy would cover direct emissions of gases consistent with the GHGRP.[xxxi] The charge would also consider indirect emissions from electricity used during production.

Revenue Usage
75% of revenues generated from the carbon import fee would finance grants intended to help domestic industries invest in and adopt the new technologies needed to reduce their carbon footprints. The remaining 25% would be used by the State Department to support climate and clean energy programs abroad.

Additional Details
The legislation allows for exemptions for products originating from countries that have implemented “materially similar” policies that impose “explicit costs” on emissions. The proposal would also provide an exemption for least-developed countries, unless they produce more than 3% of total global exports by value of any covered good.

PROPOSED: MARKET CHOICE ACT OF 2023

In the House, Representatives Brian Fitzpatrick (R-PA-1) and Salud Carbajal (D-CA-24) reintroduced the Modernizing America with Rebuilding to Kickstart the Economy of the Twenty-first Century with a Historic Infrastructure-Centered Expansion (MARKET CHOICE) Act.[xxxii] The legislation was initially introduced in 2018 by former Representative Carlos Curbelo (R-FL-26).

The MARKET CHOICE Act imposes a fee on specific domestic facilities as opposed to specific products. It also imposes a carbon boarder fee on goods from facilities that would face the fee if they were located domestically.

Covered Products
The MARKET CHOICE Act describes its scope of coverage by focusing on facilities rather than products. Even so, this bill would impose a fee on facilities that manufacture the following fuels, energy-intensive industrial products (along with certain material inputs), and clean energy goods. Foreign goods are subject to a fee if they come from facilities that would face the fee if they were located domestically.

Fuels	Energy-Intensive Products	Clean Energy Goods
Coal	Aluminum	Electrical transmission goods
Natural gas	Cement	Semiconductors
Petroleum products	Chemicals & fertilizers	
	Glass	
	Iron & steel	
	Lead	
	Petrochemicals	

Domestic Treatment
The MARKET CHOICE Act imposes a fee on domestic and foreign facilities that manufacture the covered goods listed above.

Carbon Charge
The proposed carbon price is set at $35/ton CO_2e in 2025, rising annually by 5% plus inflation. U.S. exporters of covered goods would be eligible for a rebate based on the carbon tax paid prior to export.

Covered Emissions
The act covers the same gases as the GHGRP. For the purposes of calculating emissions intensity, it considers direct emissions from fuel combustion and chemical processes, as well as indirect emissions from electricity generation.

Revenue Usage
Revenue from the domestic charge and the carbon import fee would go into a Rebuilding Infrastructure and Solutions for the Environment Trust Fund (75%), which would invest in American infrastructure, issue payments to eligible low-income households, and support climate adaptation. The remaining funds (25%) would be given to the Treasury.

Additional Details
Least developed countries, and countries determined to be responsible for less than 0.5% of total global GHG emissions and less than 5% of global production in the eligible industrial sector would be exempt from the carbon import fee.

The legislation would simultaneously repeal existing federal excise taxes on the sale of motor vehicle and aviation fuels.

PROPOSED: ENERGY INNOVATION AND CARBON DIVIDEND ACT OF 2023

The Energy Innovation and Carbon Dividend Act of 2023 was introduced by Representatives Salud Carbajal (D-CA-24) and Scott Peters (D-CA-50).[xxxiii] It was first introduced in 2018 with bipartisan support.

Covered Products
The proposal's carbon import fee would impose a fee on imports of covered fossil fuels and energy-intensive products.

Fuels	Energy-intensive Products
Coal	Aluminum
Crude oil	Cement
Natural gas	Ceramics
	Chemicals
	Glass
	Iron & steel
	Pulp & paper

Domestic Treatment

This carbon import fee would operate alongside a domestic carbon fee on fuels and energy-intensive products. Like the Clean Competition and MARKET CHOICE Acts, U.S. exporters of covered goods would be eligible for a rebate equal to the carbon fees accumulated prior to export of the good.

Carbon Charge

The charge is set at \$15/ton CO_2e in 2023, rising annually by \$10/ton above inflation. The bill also establishes a procedure for industry to petition the government regarding the determination of the imposed carbon import fee. Consideration of these petitions shall be "fair, timely, impartial, and as necessary confidential," but it is unclear how secondary review would work in practice.

Covered Emissions

To calculate the charge, the legislation considers emissions from CO_2, CH_4, and N_2O, while allowing for the Environmental Protection Agency (EPA) Administrator to add additional GHGs if warranted. For imported fuels, the act clarifies that it would consider production and process emissions.

Revenue Usage

The revenues generated from the carbon import fee would first be used to cover administrative costs and any remaining funds would be allocated to the United Nations' Green Climate Fund, which assists developing countries with climate change adaptation and mitigation activities.

Additional Details

The act encourages the Secretary of State to negotiate treaties designed to lower global emissions. The Secretary may adjust the border charge if a treaty requires it or if they determine that the exporting country's mitigation efforts are "sufficient" to contribute to net-zero emissions by 2050. The legislation also authorizes the Secretary of State to alter elements of the carbon import fee if deemed necessary to satisfy the United States' obligation to the World Trade Organization.

PROPOSED: AMERICA'S CLEAN FUTURE FUND ACT OF 2024

Senate Majority Whip Dick Durbin (D-IL) re-introduced America's Clean Future Fund Act of 2024 in September 2024 after initially introducing it in 2021.[xxxiv]

Covered Products

This policy would impose a carbon import fee on the following product categories:

Fuels	Energy-intensive Products
Coal	Aluminum
Crude oil	Cement
Natural gas	Ceramics
	Chemicals
	Glass
	Iron & steel
	Pulp & paper

Domestic Treatment
This bill would introduce an economy-wide domestic carbon price and would instate a carbon import fee on fuels and certain energy-intensive goods.

Carbon Charge
In 2026, the fee would begin at \$65/ton CO_2e in 2023 and rise annually by \$10/ton above inflation. This fee rate would be increased beginning in 2029 if emissions targets are not achieved, but it could also be dropped to \$0 if the average annual emissions over the preceding three-year period is no more than 10% of 2018 emissions levels.

This legislation allows for two different types of industry reimbursement. First, U.S. exporters of covered fuels and products will be reimbursed for the amount they pay to ensure that U.S. exporters can remain competitive in foreign markets that do not impose domestic carbon prices. Second, any person who captures CO_2 and disposes of it via geological storage, utilization, or another approved method will be paid by the metric ton according to the fee rate.

Covered Emissions
This carbon import fee takes into account all gases included under the GHGRP.

Revenue Usage
Three quarters of the collected revenue would be returned to U.S. low- and middle-income individuals through quarterly rebates. The rest would go to climate change adaptation and mitigation funds, grants providing transition assistance to impacted communities, and payments to help decarbonize the agricultural sectors. A new federal agency called the Climate Change Finance Corporation would also help finance and encourage private investment in clean technologies, energy efficiency, and other decarbonization-related projects.

HONORABLE MENTION: PROVE IT ACT OF 2024

Though not a proposal to impose a carbon import fee, the bipartisan PROVE IT Act is often cited in climate and trade discussions. The “Providing Reliable, Objective, Verifiable Emissions Intensity and Transparency Act” was introduced by Senators Chris Coons (D-DE) and Kevin Cramer (R-ND) and passed out of the Senate Environment and Public Works Committee in the 118th Congress on a robust bipartisan vote.[xxxv] Congressmen John Curtis (R-UT-3) and Scott Peters (D-CA-50) introduced a House version of the bill in July with 19 additional co-sponsors.[xxxvi]

PROVE IT would direct the Department of Energy (DOE) to study the emissions intensity of manufacturing for various products in the U.S. and in major international markets. Covered countries include G7 nations, free trade agreement partners, foreign “countries of concern” (rivals like China, Russia, Iran, North Korea),[xxxvii] and countries that control a significant global market share of a covered product. DOE will update the data every five years, working in collaboration with the EPA, the U.S. Trade Representative, and the Commerce and State departments.

The bill would further substantiate America’s carbon advantage by requiring DOE to provide verifiable, high-quality emissions intensity data for fuels, energy intensive products, and some energy technologies for the U.S., trade partners, and competitors.[xxxiii]

Covered Products

Fuels	Energy-Intensive Products	Clean Energy Goods
Biofuels	Aluminum	Critical minerals
Crude oil	Cement	Lithium-ion batteries
Hydrogen	Fertilizers	Solar cells
Natural gas	Glass	Wind turbines
Refined petroleum products	Iron & steel	
Uranium	Petrochemicals & plastics	
	Pulp & paper	

Covered Emissions
DOE would consider the gases covered by the GHGRP resulting from the extraction, production, processing, manufacture, assembly, and transport of a covered product.[xxxix] Industry may voluntarily participate by sharing data or proposing measurement methodologies.

Additionally, international partners are encouraged to actively engage in information and data sharing, contributing to the accuracy of the study while fostering global cooperation on emissions measurement.

The study would seek to identify data gaps, support informed policymaking, foster collaboration on climate and trade issues across international borders, and give U.S. officials and industry the best case to defend their environmental performance as carbon import fees proliferate internationally. We take a closer look at the details of the PROVE IT Act in our Climate Perspectives blog series.[xl]

ENDNOTES

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