

AMERICA'S CARBON ADVANTAGE: KEY TAKEAWAYS

- 1.) Nearly 25% of global emissions are embedded in products crossing international borders, making trade an area of enormous untapped opportunity in climate policy.
- 2.) The right climate and trade policies will reduce global emissions – but they will also be a win for the United States' economic and geopolitical standing.
- 3.) The U.S. has a striking carbon efficiency advantage over its key trading partners, meaning we produce the same goods while emitting less carbon.
- 4.) But today, U.S. manufacturers get no credit for producing goods with fewer emissions. A well-designed climate policy would level the playing field and encourage competition.
- 5.) By establishing a new order on climate and trade, the U.S. can rapidly cut emissions, reinvigorate American manufacturing, strengthen cooperation with our allies, and encourage high-emitting countries to do their part.

Nearly 25% of global emissions are embedded in products crossing international borders, making trade an area of enormous untapped opportunity in climate policy.

- Also known as the “carbon loophole,” these emissions are associated with the production of goods and services in one country that are ultimately consumed in another.
- This represents an 8-billion-ton hole in how advanced economies like the United States think about addressing climate change.

The right climate and trade policies will reduce global emissions – but they will also be a win for the United States' economic and geopolitical standing.

- The U.S. could lead without having to depend solely on drawn-out international negotiations, which to date have failed to motivate major global reductions.
- Climate-aligned trade policies can also diminish the competitive and strategic position of economies like China, the world's largest exporter and largest polluter.
- Climate and trade policies give the U.S. an opportunity to strengthen international cooperation with our climate-minded allies and while holding everyone accountable for global emissions reductions.

The U.S. has a striking carbon efficiency advantage over its key trading partners, meaning we produce the same goods while emitting less carbon.

- Goods manufactured in the U.S. are 40% more carbon-efficient than the world average.
- The U.S. is twice as carbon-efficient as its trading partners in oil and gas extraction, rubber and plastics manufacturing, and computer and electronics manufacturing.
- The U.S. carbon advantage is 3X that of China and nearly 4X that of Russia and India. It also compares favorably to Mexico, Canada, South Korea, and Japan.
- Climate policy offers an opportunity for America to put its manufacturers first and raise global climate ambition: Energy intensive U.S. industries, like steel, are uniquely positioned to gain a competitive advantage from this policy.
- If you create an economic incentive to compete on the basis of lower emissions, American wins.

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- Currently, the U.S. imports 75% of its goods from less carbon efficient countries.
- U.S. manufacturers compete on an unlevel playing field in the American market against many foreign producers who face laxer environmental standards.

By establishing a new order on climate and trade, the U.S. can rapidly cut emissions, reinvigorate American manufacturing, strengthen cooperation with our allies, and encourage high-emitting countries to do their part.

- Pairing a nationwide carbon fee with a carbon intensity import fee would enhance the competitiveness of U.S. manufacturers vs. low-cost, high-emission production overseas.
- With all G7 countries independently considering policies to align climate and trade, the U.S. can collaborate with its allies to introduce a powerful new signal to the international trading system.