

Why Climate and Trade?

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Nearly 25% of
global CO2
emissions are
associated with
internationally
traded goods

Data: Global Efficiency Intelligence



The U.S. imports
1.3 billion tons of
CO₂/year

The E.U. imports 1
billion tons of
CO₂/year

Data: Global Efficiency Intelligence



Context: If U.S. and EU imports were
countries, they would be the 5th and 7th
biggest global emitters

The U.S. is importing higher polluting goods than what it produces at home

The average national carbon intensity of the top 8 largest exporters to the U.S.

Top Countries by Dollar Value 2022	Carbon Intensity Compared to U.S.
1. China	↑ 220%
2. Mexico	↑ +40%
3. Canada	↑ +30%
4. Japan	↑ +10%
5. Germany	↓ 10%
6. Vietnam	↑ +210%
7. South Korea	↑ +80%
8. India	↑ +280%

More U.S. Production = Lower Global Emissions

If **U.S. imports** matched U.S. carbon efficiency, emissions from imports would be **600 million tons/year lower**


A **G7 carbon club** using a similar analysis would lower imported emissions by **2 billion tons/year**

U.S. Industry Rewarded for Lower Emissions

A U.S. border carbon adjustment would **net the U.S. steel industry \$2.8 billion**

SALES
up as much as
9%


PROFITABILITY
up as much as
41%


MORE CARBON INTENSIVE IMPORTS
down as much as
50%


Opposition from Countries with Weaker Environmental Standards

A study by He Jianwu, a research fellow in the **State Council's Development Research Center in Beijing**, found that a fully implemented European CBAM could reduce Chinese GDP by 0.64 percent.

Russia's oil czar Igor Sechin said border carbon charges applied by the EU and possibly elsewhere could cause "incomparably greater damage to the [Russian] economy" than sanctions.



Republican Support for BCAs



“One of the means **I’ve been working on is a carbon border adjustment mechanism** that recognizes the high price our carbon intensive companies already pay for a higher environmental standard, as well as other high standards like labor and workplace standards, and joining forces with our friends who have similar standards. Instead of punishing ourselves, punishing and manipulating the behavior of the polluters, which just so happen to be our adversaries in most cases, I favor a much simpler approach compared to a lot of others.”

– **Sen. Kevin Cramer (R-ND)**



“Senator Cassidy is interested in promoting the use of cleaner produced goods domestically and internationally,” the spokesperson said. “He anticipates introducing legislation that focuses on ensuring imports dirtier than American-made products are disadvantaged while including a **pathway to expand the policy to international partners.**”

– **Office of Sen. Bill Cassidy (R-LA)**



[From Bloomberg:] Another Republican Senator said he’s planning to introduce **legislation that would slap tariffs on carbon-intensive imports**, an idea gaining traction with the GOP as a climate solution. “It’s time to take the gloves off.”

– **Sen. Lindsey Graham (R-SC)**

Democratic Support for BCAs



The EU has announced a [Carbon Border Adjustment Mechanism]. They've pretty well defined it. It's coming at us...I hope very much that that will be seen as a welcome step by the administration and one that we can try to meet and match. I think the **EU CBAM opens the prospect of us joining** into a common carbon border agreement.”

– **Sen. Sheldon Whitehouse (D-RI)**



I think we will ultimately end up, I hope, with a consensus bill...but there are very different approaches from the senators — very different. We are all trying to find a path forward on a border carbon adjustment, and hopefully, **we will harmonize our approaches**, because while an initial discussion and different priorities and values makes sense, at the end of the day, we need to get something that can be passed.”

– **Sen. Chris Coons (D-DE)**



"Done right, [carbon tariffs are] **a big opportunity for both workers and innovation** and America's place in the global economy.“

– **Sen. Ron Wyden (D-OR)**

Support for BCAs Among Republican and Democratic Policy Chiefs



“Personally, I would want to see people **come together and have some kind of a carbon border adjustment...**”

– **Former USTR for Pres. Trump Robert Lighthizer**



“...Congress could develop an industrial competitiveness program for heavy industries like cement, steel and chemicals that includes **an emissions-based border adjustment fee on imported industrial goods** from countries with less ambitious emissions controls. This would bolster the I.R.A.’s incentives, increase the competitiveness of American industries and address China’s nonmarket practices in these areas...”

– **Former Biden NEC Director Brian Deese**

Climate and Trade Policies in Development

- 1. EU Approach:** Carbon Border Adjustment Mechanism (CBAM)
- 2. U.S. Bipartisan Building Block:** PROVE IT Act, Sens. Cramer (R-ND), Coons (D-DE)
- 3. U.S. Republican Bill:** Foreign Pollution Fee Act, Sen. Cassidy (R-LA)
- 4. U.S. Democratic Bill:** Clean Competition Act, Sen. Whitehouse (D-RI)
- 5. U.S. – EU Negotiation:** Global Arrangement Sustainable Steel + Aluminum (GASSA)

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