

119TH CONGRESS
1ST SESSION

S. 1325

To amend the Internal Revenue Code of 1986 to impose a fee on certain products imported into the United States based on the pollution intensity associated with the production of such products, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 8, 2025

Mr. CASSIDY (for himself and Mr. GRAHAM) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to impose a fee on certain products imported into the United States based on the pollution intensity associated with the production of such products, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Foreign Pollution Fee
5 Act of 2025”.

6 **SEC. 2. SENSE OF CONGRESS; PURPOSE.**

7 (a) SENSE OF CONGRESS.—It is the sense of Con-
8 gress that—

1 (1) the United States has led the world in car-
2 bon emissions reductions over the past 15 years, cut-
3 ting more emissions than any other nation;

4 (2) the United States economy is 55 percent
5 more carbon-efficient than the global average;

6 (3) on average, goods produced in China gen-
7 erate more than 3 times the carbon emissions of
8 equivalent American-made goods, while Russian-
9 made goods produce 5 times the emissions, which
10 gives foreign polluters an unfair cost advantage over
11 American manufacturers;

12 (4) Federal environmental regulations impose
13 an estimated \$400,000,000,000 in annual costs on
14 the economy of the United States, placing a dis-
15 proportionate burden on American businesses and
16 workers;

17 (5) manufacturers in the United States face
18 staggering environmental regulatory compliance
19 costs, averaging \$17,200 per employee, which are
20 costs that foreign competitors, particularly in China,
21 do not bear;

22 (6) American businesses spend a higher per-
23 centage of their revenue on environmental compli-
24 ance than many of their global competitors, making
25 it harder to compete internationally;

1 (7) as a result of these costs, companies in the
2 United States have lost market share to foreign pro-
3 ducers operating under weak, underenforced, or non-
4 existent environmental standards;

5 (8) China is by far the world's worst air and
6 water polluter, responsible for 30 percent of global
7 carbon emissions;

8 (9) the Chinese Communist Party effectively
9 subsidizes its exports by refusing to enforce basic
10 environmental protections, undercutting responsible
11 manufacturers in the United States;

12 (10) China's state-controlled industries operate
13 as an extension of the Communist Party, using pred-
14 atory trade practices, including environmental ex-
15 ploitation, to eliminate American competition and
16 expand Beijing's control over global markets;

17 (11) United States trade policy has given for-
18 eign polluters a competitive edge at the expense of
19 American workers for decades, rewarding bad actors
20 while punishing responsible manufacturers in the
21 United States;

22 (12) China has been the primary beneficiary of
23 these policies, with the United States losing approxi-
24 mately 5,000,000 jobs in the last 2 decades, with

1 half of that loss directly attributable to the growing
2 trade deficit with China; and

3 (13) recognizing and rewarding manufacturers
4 in the United States for their environmental leader-
5 ship would strengthen domestic industry, create
6 high-paying jobs, and reduce America's dependence
7 on high-emitting producers like China and Russia.

8 (b) PURPOSE.—The purpose of this Act is to level
9 the playing field for American workers and manufacturers
10 by ensuring that China and other foreign adversaries can-
11 not exploit weak environmental standards, lack of enforce-
12 ment, and noncompliance to gain an unfair advantage in
13 global trade.

14 **SEC. 3. RULE OF CONSTRUCTION.**

15 Nothing in this Act, or any amendments made by this
16 Act, shall be construed to authorize the creation of any
17 carbon tax, fee, pricing, or other mechanism that imposes
18 additional costs to any covered product (as defined in sec-
19 tion 4695(a) of the Internal Revenue Code of 1986, as
20 added by this Act) which is produced domestically and
21 sold, used, further refined, or distributed within United
22 States or exported to another country for sale or use.

1 **TITLE I—FOREIGN POLLUTION**

2 **FEE**

3 **SEC. 101. FOREIGN POLLUTION FEE.**

4 (a) IN GENERAL.—Chapter 38 of the Internal Rev-
 5 enue Code of 1986 is amended by adding at the end the
 6 following new subchapter:

7 **“Subchapter E—Foreign Pollution Fee**

“Sec. 4691. Definitions.

“Sec. 4692. Imposition of foreign pollution fee.

“Sec. 4693. Determination of variable charge.

“Sec. 4694. Calculation of pollution intensity.

“Sec. 4695. Treatment of international partnerships.

“Sec. 4696. Covered products.

“Sec. 4697. Advisory Committee on Global Pollution Challenges.

“Sec. 4698. Establishment process and reassessments.

8 **“SEC. 4691. DEFINITIONS.**

9 “For purposes of this subchapter—

10 “(1) ADMINISTRATOR.—The term ‘Adminis-
 11 trator’ means the Administrator of the Environ-
 12 mental Protection Agency.

13 “(2) ADVISORY COMMITTEE.—The term ‘Advi-
 14 sory Committee’ means the Advisory Committee on
 15 Global Pollution Challenges, as established under
 16 section 4697.

17 “(3) APPROPRIATE CONGRESSIONAL COMMIT-
 18 TEES.—The term ‘appropriate congressional com-
 19 mittees’ means the Committee on Finance of the
 20 Senate and the Committee on Ways and Means of
 21 the House of Representatives.

1 “(4) BASELINE POLLUTION INTENSITY.—The
 2 term ‘baseline pollution intensity’ means the pollu-
 3 tion intensity associated with production of a cov-
 4 ered product in the United States.

5 “(5) CARBON DIOXIDE EQUIVALENT.—The
 6 term ‘carbon dioxide equivalent’ means, with respect
 7 to a greenhouse gas, the quantity of such gas that
 8 has a global warming potential equivalent, deter-
 9 mined over a 100-year period, to 1 metric ton of car-
 10 bon dioxide, as determined pursuant to table A–1 of
 11 subpart A of part 98 of title 40, Code of Federal
 12 Regulations, as in effect on January 1, 2025.

13 “(6) CARBON REMOVAL.—The term ‘carbon re-
 14 moval’ means—

15 “(A) the capture of carbon oxides directly
 16 from ambient air (or, in dissolved form, from
 17 seawater), and

18 “(B) the sequestration of such carbon ox-
 19 ides which results in the net removal of atmos-
 20 pheric carbon oxides on a lifecycle basis.

21 “(7) COUNTRY OF ORIGIN.—The term ‘country
 22 of origin’ means, with respect to a covered prod-
 23 uct—

24 “(A)(i) in the case of steel, the country in
 25 which the steel was melted and poured,

1 “(ii) in the case of aluminum, the country
2 in which the aluminum was smelted and cast,
3 or

4 “(iii) in the case of any other covered
5 product, the country in which a covered product
6 was produced, or

7 “(B) the last country in which a covered
8 product was substantially transformed, as de-
9 termined in a manner consistent with U.S. Cus-
10 toms and Border Protection procedures, directly
11 prior to importation into the United States.

12 “(8) COVERED ENTITY.—The term ‘covered en-
13 tity’ means the importer of record of a covered prod-
14 uct at the time of the importation of such product.

15 “(9) DIRECT EMISSIONS.—The term ‘direct
16 emissions’ means pollution from the facility where a
17 product is produced, including pollution from the
18 combustion of fuels and process emissions from
19 chemical or physical transformations resulting from
20 the production process.

21 “(10) FOREIGN ENTITY OF CONCERN.—The
22 term ‘foreign entity of concern’ has the same mean-
23 ing given such term in section 40207(a)(5) of the
24 Infrastructure Investment and Jobs Act (42 U.S.C.
25 18741(a)(5)).

1 “(11) HTS.—The term ‘HTS’ means the Har-
 2 monized Tariff Schedule of the United States.

3 “(12) INDIRECT EMISSIONS.—The term ‘indi-
 4 rect emissions’ means pollution from the production
 5 of electricity, heating, and cooling which are—

6 “(A) produced outside the facility where a
 7 product is produced, and

8 “(B) consumed during the production
 9 process.

10 “(13) INPUT MATERIAL OR PRECURSOR.—The
 11 term ‘input material or precursor’ means any mate-
 12 rial or product (other than fuel) which is—

13 “(A) incorporated into a covered product,
 14 or

15 “(B) consumed during the production
 16 process of a covered product.

17 “(14) INTERNATIONAL PARTNERSHIP AGREE-
 18 MENT.—The term ‘international partnership agree-
 19 ment’ means an international partnership agreement
 20 established pursuant to title II of the Foreign Pollu-
 21 tion Fee Act of 2025.

22 “(15) NONMARKET ECONOMY COUNTRY.—The
 23 term ‘nonmarket economy country’ means any for-
 24 eign country that the Secretary of Commerce deter-
 25 mines, pursuant to section 771(18) of the Tariff Act

1 of 1930 (19 U.S.C. 1677(18)), does not operate on
2 market principles of cost or pricing structures, so
3 that sales of merchandise in that country do not re-
4 flect the fair value of merchandise.

5 “(16) POLLUTION.—The term ‘pollution’ refers
6 to emissions of—

7 “(A) carbon dioxide,

8 “(B) hydrofluorocarbons,

9 “(C) methane,

10 “(D) nitrous oxide,

11 “(E) perfluorocarbons,

12 “(F) sulfur hexafluoride, and

13 “(G) any other anthropogenically-emitted
14 gas which has been identified by the Secretary
15 (in accordance with the notice and comment
16 procedures under section 553 of title 5, United
17 States Code) for purposes of this subchapter.

18 “(17) POLLUTION INTENSITY.—The term ‘pol-
19 lution intensity’ means the amount of pollution, ex-
20 pressed in metric tons of carbon dioxide equivalent,
21 which is emitted into the atmosphere in the produc-
22 tion of a metric ton of a covered product, as deter-
23 mined pursuant to the requirements described in
24 section 4694(c)).

1 “(18) POLLUTION INTENSITY DIFFERENCE.—

2 The term ‘pollution intensity difference’ means, with
3 respect to any covered product, the difference (ex-
4 pressed as a percentage) between—

5 “(A) the pollution intensity associated with
6 production of such product in the country of or-
7 igin, and

8 “(B) the baseline pollution intensity with
9 respect to such product.

10 “(19) PRECURSOR EMISSIONS.—The term ‘pre-
11 cursor emissions’ means pollution (including any di-
12 rect or indirect emissions) emitted into the atmos-
13 phere in the production of an input material or pre-
14 cursor.

15 “(20) PRODUCER.—The term ‘producer’ means
16 the entity responsible for the manufacturing of a
17 product.

18 “(21) PRODUCT.—The term ‘product’ means
19 any article, regardless of whether such article is—

20 “(A) exported from the country of origin,
21 or

22 “(B) produced and sold only within the
23 country of origin.

24 “(22) RECYCLED MATERIAL.—The term ‘recy-
25 cled material’ means a material that is used in place

1 of, or to reduce the use of, a primary, raw, or virgin
 2 material in the manufacturing of a product.

3 “(23) RELEVANT FEDERAL AGENCY.—The
 4 term ‘relevant Federal agency’ means—

5 “(A) the Department of Energy,

6 “(B) the Office of the United States Trade
 7 Representative,

8 “(C) the Department of Commerce,

9 “(D) the Department of State,

10 “(E) the Environmental Protection Agen-
 11 cy,

12 “(F) the Council on Environmental Qual-
 13 ity,

14 “(G) the Office of Science and Technology
 15 Policy, and

16 “(H) the Department of Homeland Secu-
 17 rity.

18 “(24) TRANSPORTATION EMISSIONS.—The term
 19 ‘transportation emissions’ means pollution from the
 20 transport of a covered product, or an input material
 21 or precursor, across international borders prior to
 22 entry into the United States.

23 **“SEC. 4692. IMPOSITION OF FOREIGN POLLUTION FEE.**

24 “(a) IN GENERAL.—

1 “(1) IMPOSITION OF FEE.—In the case of any
2 covered product which is imported by a covered enti-
3 ty into the United States after the applicable date,
4 there is hereby imposed an ad valorem fee upon
5 entry or importation of such covered product in an
6 amount equal to the product of—

7 “(A) the customs value of such covered
8 product which is imported into the United
9 States, and

10 “(B) the variable charge (as determined
11 under section 4693).

12 “(2) APPLICABLE DATE.—For purposes of
13 paragraph (1), the applicable date shall be the date
14 which is 6 weeks after the date of enactment of this
15 subchapter.

16 “(b) FEE DUE.—

17 “(1) IN GENERAL.—The fee imposed under this
18 section with respect to any covered product shall be
19 paid by the covered entity which imported such
20 product at the same time, and through the same
21 electronic portal, that any payment of custom duties
22 are made.

23 “(2) SECURITY FOR FEES.—The Secretary may
24 issue such regulations or other guidance to require,
25 or may direct officers of U.S. Customs and Border

1 Protection to require, a covered entity to file with
 2 the Secretary a bond or other security in such
 3 amount and with such conditions as the Secretary
 4 determines necessary to ensure payment of the fees
 5 imposed under this section.

6 **“SEC. 4693. DETERMINATION OF VARIABLE CHARGE.**

7 “(a) IN GENERAL.—

8 “(1) INITIAL APPLICATION.—For purposes of
 9 the period beginning on the day after the applicable
 10 date under section 4692(a)(2) and ending on the
 11 date on which the final rules under section 4698(b)
 12 are issued, the variable charge with respect to any
 13 covered product shall be determined under the fol-
 14 lowing table (as determined pursuant to the applica-
 15 ble country of origin and applicable category under
 16 section 4696 with respect to such covered product):

“Country of Origin	Para- graph (4) or (5) of section 4696	Para- graph (1) of section 4696	Para- graph (2) of section 4696	Para- graph (3), (6), or (8) of section 4696	Para- graph (7) or (9) of section 4696	Para- graph (10) of section 4696	Para- graph (11) of section 4696
Canada	26%	27%	17%	27%	33%	30%	31%
China	200%	143%	200%	103%	121%	200%	200%
Mexico	38%	27%	45%	0%	0%	100%	39%
South Korea	47%	49%	44%	58%	0%	100%	35%
Germany	9%	30%	0%	0%	0%	35%	0%
Taiwan	100%	100%	100%	51%	53%	100%	69%
India	100%	100%	100%	100%	38%	100%	46%
Vietnam	200%	200%	200%	200%	200%	200%	200%
Brazil	55%	56%	49%	57%	29%	57%	30%
Japan	29%	29%	29%	34%	0%	37%	0%
Italy	0%	0%	0%	0%	0%	77%	0%
Thailand	65%	38%	72%	26%	23%	100%	28%
Turkey	50%	45%	57%	100%	32%	100%	41%
France	0%	6%	0%	0%	0%	19%	0%
Spain	0%	0%	22%	35%	0%	61%	9%
United Kingdom	0%	28%	0%	0%	0%	37%	0%
Netherlands	26%	27%	0%	0%	11%	34%	7%

“Country of Origin	Para-graph (4) or (5) of section 4696	Para-graph (1) of section 4696	Para-graph (2) of section 4696	Para-graph (3), (6), or (8) of section 4696	Para-graph (7) or (9) of section 4696	Para-graph (10) of section 4696	Para-graph (11) of section 4696
Russia	200%	200%	200%	200%	200%	0%	0%
Austria	26%	29%	0%	0%	0%	39%	0%
Colombia	32%	32%	32%	0%	0%	100%	0%
Israel	0%	0%	0%	0%	0%	37%	0%
Hungary	33%	28%	33%	31%	0%	100%	39%
Malaysia	71%	40%	100%	33%	100%	100%	100%
Poland	39%	44%	39%	45%	51%	67%	52%
Cambodia	66%	0%	66%	68%	0%	0%	0%
Any other country	50%	40%	55%	48%	69%	100%	37%

1 “(2) SUBSEQUENT APPLICATION.—

2 “(A) IN GENERAL.—For purposes of the
3 36-month period subsequent to the date on
4 which the final rules under section 4698(b) are
5 issued, the variable charge with respect to any
6 covered product shall be determined as follows:

7 “(i) With respect to any covered prod-
8 uct which has been assigned to tier 1, the
9 variable charge shall be an amount (ex-
10 pressed as a percentage) equal to or great-
11 er than 5 percent and not greater than 25
12 percent, as determined in such manner as
13 to achieve a linear correlation between the
14 variable charge and the pollution intensity
15 difference of products assigned to such
16 tier.

17 “(ii) With respect to any covered
18 product which has been assigned to tier 2,
19 the variable charge shall be an amount (ex-

pressed as a percentage) equal to or greater than 25 percent and not greater than 80 percent, as determined in such manner as to achieve a linear correlation between the variable charge and the pollution intensity difference of products assigned to such tier.

“(iii) With respect to any covered product which has been assigned to tier 3, the variable charge shall be an amount (expressed as a percentage not to exceed 100 percent) equal to the sum of—

“(I) 80 percent, plus

“(II) 1 percentage point for every percentage point by which the pollution intensity difference of such product exceeds 200 percent.

“(B) TIERS.—

“(i) TIER 1.—Any covered product for which the pollution intensity difference is greater than 10 percent and not greater than 20 percent shall be assigned to tier 1.

“(ii) TIER 2.—Any covered product for which the pollution intensity difference is greater than 20 percent and not greater

1 than 200 percent shall be assigned to tier
2 2.

3 “(iii) TIER 3.—Any covered product
4 for which the pollution intensity difference
5 is greater than 200 percent shall be as-
6 signed to tier 3.

7 “(C) ENHANCEMENT OF VARIABLE
8 CHARGE.—

9 “(i) NONMARKET ECONOMY COUN-
10 TRY.—In the case of any covered product
11 for which the country of origin is a non-
12 market economy country, the variable
13 charge with respect to such product shall
14 be an amount (expressed as a percentage)
15 equal to the product of—

16 “(I) the amount otherwise deter-
17 mined under subparagraph (A) with
18 respect to such product, multiplied by

19 “(II) 2.

20 “(ii) FOREIGN ENTITY OF CON-
21 CERN.—In the case of any covered product
22 which is produced in a facility which is
23 owned or controlled by a foreign entity of
24 concern, the variable charge with respect
25 to such product shall be an amount (ex-

pressed as a percentage) equal to the product of—

“(I) the amount otherwise determined under subparagraph (A) with respect to such product, multiplied by

“(II) 2.

“(iii) FACILITY OWNED BY FOREIGN ENTITY OF CONCERN IN NONMARKET ECONOMY COUNTRY.—In the case of any covered product which is described in both clause (i) and clause (ii), the variable charge with respect to such product shall be an amount (expressed as a percentage) equal to the product of—

“(I) the amount otherwise determined under subparagraph (A) with respect to such product, multiplied by

“(II) 4.

“(b) EXCEPTION FOR NATIONAL SECURITY.—

“(1) IN GENERAL.—The Secretary, in coordination with the Secretary of Defense and the Commissioner of U.S. Customs and Border Protection, may reduce the variable charge to zero for specific entries of a covered product if the Secretary determines that

1 such specific entries are imported for purposes of
2 fulfilling a Department of Defense contract.

3 “(2) PUBLICATION.—The Secretary shall make
4 public any reduction under this subsection with re-
5 spect to a covered product unless the publication of
6 such information would negatively affect national se-
7 curity.

8 “(c) EVASION.—

9 “(1) IN GENERAL.—If the Secretary of Com-
10 merce (in consultation with the Secretary, the Sec-
11 retary of Homeland Security, the United States
12 Trade Representative, and the appropriate congres-
13 sional committees) determines that any country, pro-
14 ducer, or importer is evading or attempting to evade
15 application of the fee imposed under section 4692,
16 the Secretary shall adjust the variable charge in
17 such manner as is deemed necessary to offset or
18 deter such evasion.

19 “(2) TRADE REMEDY LAW ENFORCEMENT DIVI-
20 SION.—The Trade Remedy Law Enforcement Divi-
21 sion of the Office of Trade of the Department of
22 Homeland Security shall assist the Secretary with
23 enforcement and compliance activities concerning
24 any evasion described in paragraph (1).

25 “(3) DEFINITION.—

1 “(A) IN GENERAL.—The terms ‘evade’ and
2 ‘evasion’ shall be deemed to refer to entering
3 any covered product into the customs territory
4 of the United States—

5 “(i) by means of any document or
6 electronically transmitted data or informa-
7 tion, written or oral statement, or act that
8 is material and false, or any omission that
9 is material, and

10 “(ii) which results in any bond or
11 other security or any amount of the fee im-
12 posed under section 4692 with respect to
13 such product being reduced or not being
14 applied.

15 “(B) FRAUD RELATING TO CARBON RE-
16 MOVAL ACTIVITIES.—The terms ‘evade’ and
17 ‘evasion’ shall include any fraud relating carbon
18 removal activities associated with the produc-
19 tion of a covered product (as described in sec-
20 tion 4694(d)(3)).

21 “(4) RULES.—Not later than 12 months after
22 the date of enactment of this subchapter, the Sec-
23 retary (in consultation with the Secretary of Home-
24 land Security) shall issue a final rule with respect to
25 the implementation of this subsection.

1 **“SEC. 4694. CALCULATION OF POLLUTION INTENSITY.**

2 “(a) IN GENERAL.—For purposes of determining the
3 variable charge for covered products under section 4693
4 after the period described in section 4693(a)(1), the Sec-
5 retary (in consultation with the Advisory Committee)
6 shall—

7 “(1) develop consistent methods for calculating
8 the pollution intensity of any covered product which
9 are applied consistently across covered products and
10 to the country of origin, and

11 “(2) make such methods publicly available.

12 “(b) FORM.—

13 “(1) IN GENERAL.—With respect to any cov-
14 ered product, the pollution intensity of such product
15 shall be expressed based on the production-weight
16 averaged pollution intensity associated with the man-
17 ufacturing of such product in the country of origin.

18 “(2) RELEVANT EMISSIONS.—The pollution in-
19 tensity of a covered product shall account for—

20 “(A) direct emissions,

21 “(B) indirect emissions,

22 “(C) precursor emissions, and

23 “(D) transportation emissions,

24 associated with the manufacturing of such product.

25 “(3) SPECIFICITY.—To the maximum extent
26 practicable, the pollution intensity of a covered prod-

1 uct shall be specific to the applicable 6-digit HTS
2 subheading number.

3 “(4) EXCEPTIONS.—

4 “(A) 4-DIGIT.—In the case of a covered
5 product for which data is not available to deter-
6 mine pollution intensity in a manner specific to
7 the 6-digit HTS subheading number, the Sec-
8 retary may determine the pollution intensity
9 based on the applicable 4-digit HTS heading.

10 “(B) 10-DIGIT.—In the case of a covered
11 product for which data demonstrates significant
12 differences in pollution intensity between 10-
13 digit HTS statistical reporting numbers, the
14 Secretary may determine pollution intensity
15 based on the applicable 10-digit statistical re-
16 porting number.

17 “(c) DATA.—

18 “(1) IN GENERAL.—To the extent necessary for
19 any determination with respect to any covered prod-
20 uct, the Secretary (in consultation with the Advisory
21 Committee) may use—

22 “(A) economic, statistical, and engineering
23 models and analysis,

1 “(B) pollution monitoring data from facili-
2 ties, satellites, and other pollution monitoring
3 tools, provided that such data—

4 “(i) is publicly available, or

5 “(ii) is not publicly available but is
6 able to be accessed and verified on a con-
7 sistent basis by the Secretary or the head
8 of any relevant Federal agency,

9 “(C) voluntarily reported data, provided
10 that such data is—

11 “(i) a product of monitored emissions,
12 and

13 “(ii) able to be verified by the Sec-
14 retary,

15 “(D) the best available information on
16 technology performance levels for the industrial
17 sector that produces such product, and

18 “(E) manufacturing and pollution data
19 which is specific to a covered product, including
20 relevant data regarding—

21 “(i) the industrial sector which is as-
22 sociated with such product, and

23 “(ii) the country of origin.

24 “(2) ACCESS TO INFORMATION.—

1 “(A) IN GENERAL.—The head of every rel-
2 evant Federal agency shall provide the Sec-
3 retary with any information held by or other-
4 wise available to the head of such Federal agen-
5 cy which is relevant to the calculation of pollu-
6 tion intensity.

7 “(B) CONFIDENTIALITY.—With respect to
8 any information or data relating to operational
9 practices or manufacturing processes of any
10 producer of a covered product which is provided
11 to the Secretary pursuant to subparagraph (A),
12 unless such information or data is otherwise
13 publicly available, the head of any relevant Fed-
14 eral agency shall take such measures as are
15 necessary to ensure that such information and
16 data is aggregated and anonymized.

17 “(d) METHODOLOGY.—

18 “(1) IN GENERAL.—For purposes of creating a
19 process for calculating the pollution intensity of any
20 covered product under subsection (a), the Secretary
21 (in consultation with the Advisory Committee)
22 shall—

23 “(A) use the best, and most internationally
24 comparable, data available to establish the base-

line pollution intensity with respect to such product, and

“(B) in the case of a covered product produced outside of the United States, base the calculation of the pollution intensity of such product on the process used to establish the baseline pollution intensity for such product.

“(2) TREATMENT OF RECYCLED MATERIALS.—

In the case of any recycled material which is recycled (as defined in section 246.101(x) of title 40, Code of Federal Regulations) into—

“(A) an input material or precursor, or

“(B) a covered product,

the Secretary shall deem such recycled material to have a pollution intensity as low as zero, as determined pursuant to such methods as are determined appropriate by the Secretary.

“(3) TREATMENT OF CARBON OXIDES.—

“(A) IN GENERAL.—Any carbon oxide captured from manufacturing processes by the producer of a covered product, or verifiably purchased by the producer of a covered product as an offset from a verified entity operating carbon removal infrastructure or projects, shall have the effect of reducing the pollution associ-

1 ated with the production of a covered product
2 if—

3 “(i) in the case of any carbon oxide
4 captured by the producer of the covered
5 product, such carbon oxide is captured in
6 the country of origin of such product and
7 either—

8 “(I) utilized in the creation of a
9 product in a manner which ensures
10 that such carbon oxide does not es-
11 cape into the atmosphere, or

12 “(II) verifiably sequestered in a
13 manner which provides an accurate
14 accounting of the storage of such car-
15 bon oxide, or

16 “(ii) in the case of an offset pur-
17 chased by the producer of the covered
18 product, such offset is a durable carbon re-
19 moval credit representing carbon oxides re-
20 moved from the atmosphere in the United
21 States or in any country by an entity
22 which is not designated as a foreign entity
23 of concern, as verified in a manner which
24 provides an accurate accounting of the uti-
25 lization or sequestration of such carbon

1 oxide, including the permanence of its stor-
2 age.

3 “(B) ACCOUNTING.—Subject to subpara-
4 graph (C), any carbon oxide utilized or seques-
5 tered as described in subparagraph (A) shall
6 be—

7 “(i) treated as a reduction in pollution
8 associated with the production of a covered
9 product based on the total tons of carbon
10 oxide utilized or sequestered,

11 “(ii) eligible to offset relevant emis-
12 sions based on the relevant carbon dioxide
13 equivalent value, and

14 “(iii) verified pursuant to such proc-
15 ess as is established by the Secretary (in
16 consultation with the Administrator and
17 the Secretary of Energy).

18 “(C) WEIGHTING.—For purposes of sub-
19 paragraph (B), with respect to determining the
20 amount of carbon oxide utilized or sequestered
21 (as described in subparagraph (A)), such deter-
22 mination shall be conducted in such a manner
23 as is determined appropriate by the Secretary
24 (in consultation with the Administrator and the
25 Secretary of Energy) so as to ensure that any

1 reduction in the amount of pollution associated
 2 with the production of a covered product is
 3 commensurate with the level of durability and
 4 permanency of the captured carbon oxide which
 5 is utilized or sequestered, such that measures
 6 that provide for permanent carbon removal
 7 (such as sequestration of carbon oxides in geo-
 8 logic storage or other equivalent measures that
 9 have been scientifically determined to provide
 10 permanent storage) will be determined to result
 11 in a proportionally higher reduction in pollution
 12 than measures that provide for non-permanent
 13 carbon removal (such as measures that have
 14 been scientifically determined to have a lower
 15 period of storage or higher risks of reversal
 16 compared to geologic storage).

17 “(4) TREATMENT OF FACILITY-SPECIFIC
 18 AGREEMENTS.—For the purpose of determining the
 19 pollution intensity of any covered product which is
 20 produced in a foreign country, if—

21 “(A) such product is produced in a facility
 22 which is—

23 “(i) located in such country, and

1 “(ii) covered by an agreement estab-
2 lished under section 204 of the Foreign
3 Pollution Fee Act of 2025, and

4 “(B) the pollution intensity of the product
5 produced in such facility would otherwise lower
6 the average pollution intensity associated with
7 the production of such product in such country,
8 the pollution intensity of the product produced in
9 such facility shall not be included for purposes of
10 calculating the pollution intensity associated with
11 production of such product in the country of origin.

12 “(e) ALTERATIONS FOR FOREIGN DATA.—For pur-
13 poses of determining the pollution intensity values with
14 respect to any country of origin for a covered product, if—

15 “(1) the baseline pollution intensity for such
16 covered product was determined utilizing a method-
17 ology based on data described in subsection (c)
18 which was provided at a more localized level, or in
19 more granular detail, than the data available with
20 respect to the country of origin, the pollution inten-
21 sity otherwise determined under this section with re-
22 spect to production of such covered product in such
23 country of origin shall be increased by 20 percent,
24 and

1 “(2) data with respect to the country of origin
 2 is unavailable or unverifiable, the Secretary may de-
 3 termine the baseline pollution intensity for the coun-
 4 try using an inference that is adverse to the inter-
 5 ests of the country in selecting from among the facts
 6 otherwise available to make the determination.

7 “(f) FOREIGN ILLUSTRATION OF POLLUTION INTEN-
 8 SITY.—

9 “(1) IN GENERAL.—Any country may provide
 10 the Secretary with access to any verifiable data nec-
 11 essary to establish an alternative pollution intensity
 12 with respect to any covered product.

13 “(2) ALTERNATIVE POLLUTION INTENSITY.—

14 “(A) IN GENERAL.—In the case of a coun-
 15 try which provides data described in paragraph
 16 (1), the Secretary may adjust the pollution in-
 17 tensity with respect to any covered product,
 18 provided that the country providing such
 19 data—

20 “(i) ensures the accuracy of all rel-
 21 evant data for all covered products,

22 “(ii) provides data at a level of granu-
 23 larity which satisfies the methods estab-
 24 lished by the Secretary, and

1 “(iii) provides the data consistently
2 and in a manner that is verifiable by the
3 Secretary.

4 “(B) ROLE OF THE ADVISORY COM-
5 MITTEE.—For purposes of this paragraph, the
6 Advisory Committee shall assist the Secretary
7 by verifying relevant data and calculating ad-
8 justments to pollution intensities.

9 “(3) PUBLICATION OF ALTERNATIVE POLLU-
10 TION INTENSITY VALUES.—In the case of any pollu-
11 tion intensity with respect to any covered product
12 which is adjusted pursuant to paragraph (2)—

13 “(A) the Secretary shall publish such ad-
14 justment in the Federal Register, and

15 “(B) such adjustment shall take effect in
16 the following calendar year.

17 “(g) TREATMENT OF POTENTIAL EVASION AND
18 OUTLIERS.—If the Secretary of Commerce (in consulta-
19 tion with the Secretary, the United States Trade Rep-
20 resentative, the appropriate congressional committees, and
21 any relevant Federal agency) determines that any country
22 or any producer is evading or attempting to evade applica-
23 tion of the fee imposed under section 4692, the Secretary
24 may prohibit the importation of covered goods from that
25 country or produced by that producer.

1 **“SEC. 4695. TREATMENT OF INTERNATIONAL PARTNER-**
2 **SHIPS.**

3 “(a) ADJUSTMENT OF FEE FOR PARTNER COUN-
4 TRIES.—In the case of a covered product which is pro-
5 duced in a country which is a party to an international
6 partnership agreement which satisfies the conditions
7 under sections 201 and 202 of the Foreign Pollution Fee
8 Act of 2025 (referred to in this section as a ‘partner coun-
9 try’), the fee under section 4692 shall be reduced in ac-
10 cordance with the terms of such agreement.

11 “(b) ELIMINATION OF TREATMENT OF FOREIGN
12 DATA.—Section 4694(e) shall not apply to any partner
13 country.

14 **“SEC. 4696. COVERED PRODUCTS.**

15 “The term ‘covered product’ means articles classifi-
16 able under the same 6-digit subheading number of the
17 HTS within one of the following categories:

18 “(1) Aluminum classifiable under heading 7601
19 or any of headings 7603 through 7608 of the HTS,
20 aluminum hydroxide classifiable under subheading
21 2818.30.00 of the HTS, and aluminum oxide classi-
22 fiable under subheading 2818.20.00 of the HTS.

23 “(2) Articles of aluminum classifiable under
24 any of headings 7609 through 7616 of the HTS,
25 and any other articles of aluminum that are classi-

1 fied under any other heading or subheading of the
2 HTS (as identified by the Secretary).

3 “(3) Articles of cement classifiable under head-
4 ings 6810 or 6811 of the HTS.

5 “(4) Iron and steel classifiable under any of
6 headings 7206 through 7306 of the HTS.

7 “(5) Articles of iron and steel classifiable under
8 any of headings 7307 through 7326 of the HTS.

9 “(6) Cement classifiable under heading 2523 or
10 subheading 3824.50 of the HTS.

11 “(7) Fertilizer and related products classifiable
12 under any of the following headings or subheading
13 of the HTS:

14 “(A) Heading 2808.

15 “(B) Heading 2814.

16 “(C) Subheading 2834.21.

17 “(D) Heading 3102 (other than sub-
18 heading 3102.10.30).

19 “(E) Any of subheadings 3105.20 through
20 3105.59.

21 “(F) Subheading 3105.90.10.

22 “(8) Glass classifiable under any of headings
23 7001 through 7020 of the HTS.

24 “(9) Hydrogen classifiable under subheading
25 2804.10 of the HTS.

1 “(10) Solar products classifiable under any of
2 subheadings 2804.61, 3818.00, 8541.42, 8541.43,
3 8541.49, and 8541.59 of the HTS.

4 “(11) Battery inputs classifiable under statis-
5 tical reporting number 2826.90.9010 or subheading
6 8507.60.00 or 8507.90 of the HTS.

7 **“SEC. 4697. ADVISORY COMMITTEE ON GLOBAL POLLUTION**
8 **CHALLENGES.**

9 “(a) IN GENERAL.—The Secretary shall establish an
10 advisory committee, to be known as the ‘Advisory Com-
11 mittee on Global Pollution Challenges’, in accordance with
12 chapter 10 of title 5, United States Code (commonly re-
13 ferred to as the ‘Federal Advisory Committee Act’) .

14 “(b) COMPOSITION.—

15 “(1) IN GENERAL.—The Advisory Committee
16 shall be composed of—

17 “(A) 2 representatives of each of the in-
18 dustrial sectors described in paragraphs (1)
19 through (9) of section 4696,

20 “(B) 2 representatives from the National
21 Laboratories (as defined in section 2 of the En-
22 ergy Policy Act of 2005 (42 U.S.C. 15801)),
23 and

24 “(C) 2 representatives from the scientific
25 research community with expertise in green-

1 house gas accounting and the monitoring, re-
2 porting, and verification of carbon reduction
3 and carbon removal processes,
4 as appointed by the Secretary.

5 “(2) PERIOD OF APPOINTMENT.—Each rep-
6 resentative appointed pursuant to paragraph (1)
7 shall serve for a term of 2 calendar years, and may
8 be reappointed by the Secretary for any additional
9 term.

10 “(c) CHAIR.—The chair of the Advisory Committee
11 shall be selected by the Secretary from the representatives
12 described in subsection (b).

13 “(d) DUTIES.—The Advisory Committee shall—

14 “(1) in accordance with section 4694, consult
15 with the Secretary on methods of calculating—

16 “(A) the baseline pollution intensity, as de-
17 termined based on production of the covered
18 product in the United States, and

19 “(B) the respective pollution intensity for
20 production of such covered product in any for-
21 eign country,

22 “(2) provide assistance with regard to section
23 4694(f), as well as any other requests from the Sec-
24 retary, and

1 “(3) provide recommendations to the Secretary
 2 regarding any rules or reassessments under section
 3 4698.

4 **“SEC. 4698. ESTABLISHMENT PROCESS AND REASSESS-**
 5 **MENTS.**

6 “(a) IN GENERAL.—The processes established under
 7 this section shall be utilized to—

8 “(1) provide rules for application of the fee im-
 9 posed under section 4692 after the period described
 10 in section 4693(a)(1), and

11 “(2) perform any required reassessment.

12 “(b) RULEMAKING.—

13 “(1) CLASSIFICATION OF COVERED PROD-
 14 UCTS.—Not later than 12 months after the date of
 15 enactment of this subchapter, the Secretary shall
 16 issue a final rule for purposes of determining the ap-
 17 propriate heading or subheading number of the HTS
 18 for each covered product.

19 “(2) POLLUTION INTENSITY METHODOLOGY
 20 CALCULATIONS.—

21 “(A) IN GENERAL.—Not later than 12
 22 months after the date of enactment of this sub-
 23 chapter, the Secretary shall publish a final rule
 24 establishing—

1 “(i) in a manner consistent with sec-
 2 tion 4694, the methods for calculating the
 3 pollution intensity with respect to each cov-
 4 ered product and country of origin, and

5 “(ii) methods for any foreign country
 6 to establish an alternative pollution inten-
 7 sity with respect to any covered product
 8 pursuant to subsection (f) of such section.

9 “(B) EVASION.—Not later than 18 months
 10 after the date of enactment of this subchapter,
 11 the Secretary shall publish a final rule to ad-
 12 dress producers described in section 4694(g).

13 “(3) ESTABLISHMENT OF VARIABLE
 14 CHARGES.—Not later than 12 months after the date
 15 of enactment of this subchapter, the Secretary (in
 16 consultation with the United States Trade Rep-
 17 resentative) shall issue a final rule establishing the
 18 variable charge for covered products for purposes of
 19 section 4693.

20 “(4) TRACEABILITY.—

21 “(A) IN GENERAL.—Not later than 12
 22 months after the date of enactment of this sub-
 23 chapter, the Secretary (in consultation with the
 24 Secretary of Homeland Security) shall issue a
 25 final rule with respect to establishing

1 traceability requirements applicable to any cov-
2 ered entity for purposes of demonstrating the
3 accuracy of data provided with respect to each
4 entry or importation of a covered product which
5 is relevant to determining the variable charge
6 imposed on such product.

7 “(B) REQUIREMENTS.—

8 “(i) IN GENERAL.—For purposes of
9 subparagraph (A), the traceability require-
10 ments shall include—

11 “(I) entry-, importation- and
12 supply chain-specific traceability and
13 document authentication with respect
14 to all entities involved in production of
15 the covered product at every step of
16 the supply chain, and

17 “(II) successful verifications (for
18 entries or importations) and valida-
19 tions (for supply chains).

20 “(ii) FREQUENCY.—For purposes of
21 clause (i), such verifications, validations,
22 and audits shall be conducted at a fre-
23 quency (as determined by the Secretary in
24 the final rule described in subparagraph
25 (A)) that is tailored to jurisdiction-, pro-

1 ducer-, industry-, and product-specific risk
2 factors in order to provide a high level of
3 confidence to the Secretary that covered
4 entities are satisfying the requirements es-
5 tablished under the final rule.

6 “(C) DEMONSTRATION.—At the time of
7 each entry or importation of a covered product,
8 the covered entity shall affirmatively dem-
9 onstrate to the Secretary that the requirements
10 established under subparagraph (A) have been
11 satisfied with respect to such product.

12 “(D) DATA.—The Secretary shall use the
13 data provided by covered entities to U.S. Cus-
14 toms and Border Protection pursuant to the re-
15 quirements established under subparagraph (A)
16 for purposes making determinations under sec-
17 tion 4694(g) with respect to whether any coun-
18 try or any producer is evading or attempting to
19 evade application of the fee imposed under sec-
20 tion 4692.

21 “(5) ADDITIONAL RULEMAKING.—In addition
22 to the rules described in paragraphs (1) through (4),
23 any rules which are necessary in order to properly
24 apply the fee under section 4692 shall be issued not

1 later than the date which is 12 months after the
2 date of enactment of this subchapter.

3 “(c) REASSESSMENT.—

4 “(1) IN GENERAL.—Not later than 3 years
5 after the date of the issuance of any final rule de-
6 scribed in subsection (b), and every 3 years there-
7 after, the Secretary shall reassess and, as necessary,
8 issue a final rule to adjust, the existing final rule.

9 “(2) REVISION.—The United States Inter-
10 national Trade Commission, in consultation with the
11 Secretary, shall annually publish a notice reflecting
12 headings, subheadings, and statistical reporting
13 numbers of the HTS contained in any rule issued
14 under this section which need to be amended due to
15 revisions to the HTS.

16 “(3) NEWLY AVAILABLE DATA.—With respect
17 to any reassessment described in paragraph (1), the
18 Secretary may utilize any data which is available as
19 a result of enhancements in the ability to assess do-
20 mestic or foreign pollution pursuant to legislation
21 enacted or developments in technology subsequent to
22 the issuance of the most recent final rule.

23 “(4) INTERNATIONAL PARTNERSHIPS.—In the
24 case of an international partnership agreement, the
25 Secretary may, at the time of the establishment of

1 such agreement and in a manner consistent with
2 such agreement, issue a final rule to adjust the pol-
3 lution intensity for any covered product (as deter-
4 mined pursuant to subsection (d)) produced in a
5 country which is a party to such agreement.

6 “(5) TIMING.—In the case of any final rule
7 issued with respect to any reassessment under para-
8 graph (1), the application of such rule shall take ef-
9 fect on January 1 of the first calendar year begin-
10 ning subsequent to the issuance of such final rule.

11 “(d) PROCESS.—

12 “(1) NOTICE AND CONSULTATION.—Not later
13 than 6 months prior to—

14 “(A) the date on which any final rule is re-
15 quired to be issued under paragraphs (1)
16 through (5) of subsection (b), and

17 “(B) the date on which any reassessment
18 is required to be made under subsection (c)(1),
19 the Secretary shall publish a notice of proposed rule-
20 making with respect to such final rule or reassess-
21 ment and brief the appropriate congressional com-
22 mittees and consult with such committees regarding
23 such final rule or reassessment.

1 “(2) COMMENT.—Following the notice under
2 paragraph (1), the Secretary shall provide a public
3 comment period of not less than 60 days.

4 “(3) CONSULTATION.—Prior to the issuance of
5 any final rule or reassessment under this section re-
6 garding the appropriate classification of covered
7 products, the Secretary may consult with—

8 “(A) the United States Trade Representa-
9 tive,

10 “(B) the United States International
11 Trade Commission,

12 “(C) the Commissioner of U.S. Customs
13 and Border Protection, and

14 “(D) all other relevant Federal agencies.

15 “(e) PUBLICATION OF FOREIGN POLLUTION FEE
16 TABLE.—

17 “(1) IN GENERAL.—The Secretary shall pub-
18 lish, in a comprehensive format that is made publicly
19 available, all final rules issued under this section
20 with respect to the application of the fee imposed
21 under section 4692 (referred to in this subsection as
22 the ‘Foreign Pollution Fee Table’).

23 “(2) INCLUDED INFORMATION.—The Foreign
24 Pollution Fee Table shall include information related
25 to—

1 “(A) any products covered by the fee im-
 2 posed under section 4692, as identified by the
 3 applicable 6-digit HTS subheading number,

4 “(B) the variable charge with respect to
 5 any covered product by country of origin, and

6 “(C) the baseline pollution intensity and
 7 pollution intensity with respect to each covered
 8 product and country of origin.

9 “(3) UPDATES.—The Foreign Pollution Fee
 10 Table shall be updated every 12 months.

11 “(4) EXCEPTION.—The Secretary shall redact
 12 any information which may have a negative effect on
 13 national security.”.

14 **TITLE II—INTERNATIONAL**
 15 **PARTNERSHIP AGREEMENTS**
 16 **RELATING TO POLLUTION**
 17 **FEES**

18 **SEC. 201. INTERNATIONAL PARTNERSHIP AGREEMENTS.**

19 (a) IN GENERAL.—The United States Trade Rep-
 20 resentative, at the direction of the President, may—

21 (1) engage in negotiations with countries to en-
 22 courage the establishment and expansion of inter-
 23 national partnership agreements, as provided in this
 24 title;

1 (2) establish agreements with foreign countries
 2 with respect to proposals to enter into international
 3 partnership agreements;

4 (3) implement such an agreement; and

5 (4) perform the oversight and enforcement role
 6 necessary to uphold any such agreement.

7 (b) REQUIREMENTS FOR INTERNATIONAL PARTNER-
 8 SHIP AGREEMENTS.—

9 (1) PRODUCTS.—An international partnership
 10 agreement may be entered into under this title on
 11 the basis of one or more covered products.

12 (2) PARTIES.—

13 (A) IN GENERAL.—Subject to the require-
 14 ments under subparagraph (B) and paragraph
 15 (3), the United States may enter into an inter-
 16 national partnership agreement under this title
 17 with—

18 (i) one country; or

19 (ii) multiple countries.

20 (B) EXCLUSION OF NONMARKET ECONOMY
 21 COUNTRIES.—The United States may not enter
 22 into an international partnership agreement
 23 under this title with a nonmarket economy
 24 country.

1 (3) REQUIREMENTS.—An international partner-
2 ship agreement entered into under this title is re-
3 quired to provide for—

4 (A) creation of interoperable methods to
5 promote pollution reduction through trade
6 mechanisms by assessing pollution intensity dif-
7 ferences between countries;

8 (B) maintenance of the ability of a country
9 that is a party to the agreement to determine
10 methods of pollution reduction within that
11 country;

12 (C) reduction of any fee or charge between
13 countries that are parties to the agreement in
14 a manner compatible with the process described
15 in section 202;

16 (D) compatible pollution monitoring, re-
17 porting, and verification methods that—

18 (i) allow for interoperable methods to
19 be used to calculate the pollution intensity
20 of covered products and countries that are
21 parties to the agreement, on the basis of
22 the available information within each such
23 country;

24 (ii) allow for similar methods to be
25 used to calculate the pollution intensity of

1 covered products imported from countries
 2 that are not parties to the agreement; and

3 (iii) allow for each country that is a
 4 party to the agreement to consistently vali-
 5 date the monitoring and reporting informa-
 6 tion of the other countries that are parties
 7 to the agreement with respect to products
 8 covered by the agreement; and

9 (E) collaboration between the parties to
 10 the agreement on developing and implementing
 11 policies—

12 (i) to address market distortions, in-
 13 cluding excess capacity, caused by the poli-
 14 cies or practices of nonmarket economy
 15 countries; and

16 (ii) to determine whether covered
 17 products are produced in facilities owned
 18 or controlled by a foreign entity of concern.

19 (c) TIMELINE.—

20 (1) IN GENERAL.—The requirements described
 21 in subsection (b) with respect to an international
 22 partnership agreement are required to be achieved—

23 (A) for high-income countries and upper-
 24 middle income countries, not later than 3 years
 25 after entering into the agreement; and

1 (B) for low-income countries and lower-
 2 middle-income countries, not later than 5 years
 3 after entering into the agreement.

4 (2) APPLICABILITY OF BENEFITS.—

5 (A) IN GENERAL.—Except as provided by
 6 subsection (f), countries described in paragraph
 7 (1)(A) shall not receive the treatment described
 8 in section 4695 of the Internal Revenue Code of
 9 1986, as added by title I, until the require-
 10 ments under subsection (b) are met.

11 (B) TERMINATION.—The United States
 12 shall maintain the right to terminate an inter-
 13 national partnership agreement at any time
 14 pursuant to the terms of the agreement.

15 (d) PUBLICATION; CONGRESSIONAL REVIEW.—An
 16 international partnership agreement entered into under
 17 this section shall be—

18 (1) published in the Federal Register; and

19 (2) treated as a final rule prepared by an agen-
 20 cy, including with respect to review by Congress
 21 under chapter 8 of title 5, United States Code (com-
 22 monly referred to as the “Congressional Review
 23 Act”).

24 (e) RESTRICTIONS ON NEGOTIATIONS RELATING TO
 25 DOMESTIC POLICY.—The authority provided by this sec-

tion does not include the authority to negotiate or enter into an agreement that would establish carbon taxes, fees, pricing, or other mechanisms that impose additional costs on products produced by a United States entity.

(f) DELAY IN APPLICATION OF FOREIGN POLLUTION FEE TO NEGOTIATE WITH FREE TRADE AGREEMENT COUNTRIES.—In the case of a country with which the United States has a free trade agreement in effect that is negotiating for a partnership agreement under this title, the application of the fee under section 4696 of the Internal Revenue Code of 1986, as added by title I, may be delayed for not more than 12 months to provide time to complete the negotiations.

SEC. 202. APPLICATION OF FOREIGN POLLUTION FEE IN PARTNERSHIPS.

(a) IN GENERAL.—In accordance with section 4695 of the Internal Revenue Code of 1986, as added by title I, a reduced fee shall be applied under section 4692 of such Code with respect to a covered product imported from a country that is a party to an international partnership agreement entered into under this title.

(b) FAILURE TO MEET REQUIREMENTS.—If a covered product is produced in a country that is a party to an international partnership agreement entered into under this title but does not meet the requirement described in

1 subsection (a), the fee applied under section 4692 of the
 2 Internal Revenue Code of 1986, as added by title I, with
 3 respect to the covered product shall be calculated based
 4 on the variable charge determined under section 4693(a)
 5 of the Internal Revenue Code of 1986, as added by title
 6 I.

7 (c) TREATMENT OF LOW-INCOME AND LOWER-MID-
 8 DLE INCOME COUNTRIES.—

9 (1) IN GENERAL.—During the 5-year period
 10 following the entry into force of an international
 11 partnership agreement under this title between the
 12 United States and a low-income country or lower-
 13 middle-income country—

14 (A) the pollution intensity requirement de-
 15 scribed in subsection (a) shall be considered to
 16 be met with respect to covered products pro-
 17 duced in the country; and

18 (B) no fee shall be applied to covered prod-
 19 ucts imported from that country.

20 (2) MODIFICATIONS TO REQUIREMENTS.—

21 (A) IN GENERAL.—During the 10-year pe-
 22 riod beginning after the completion of the 5-
 23 year period described in paragraph (1), the pol-
 24 lution intensity requirement described in sub-
 25 section (a) shall be considered to be met with

1 respect to a covered product produced in a
2 country described in paragraph (1) if new ca-
3 pacity in that country for the production of the
4 covered product developed during the 10-year
5 period described in paragraph (1) is not more
6 than 50 percent more pollution intense than the
7 baseline pollution intensity at the time of the
8 entry into force of the international partnership
9 agreement.

10 (B) FUTURE DEVELOPMENT.—For the 10-
11 year period beginning after the completion of
12 the 10-year period described in subparagraph
13 (A), and each 10-year period thereafter, the
14 pollution intensity requirement described in
15 subsection (a) shall be considered to be met
16 with respect to a covered product produced in
17 a country described in paragraph (1) if new ca-
18 pacity in that country for the production of the
19 covered product developed during the preceding
20 10-year period is not more than 25 percent
21 more pollution intense than the baseline pollu-
22 tion intensity at the beginning of such pre-
23 ceding 10-year period.

24 (3) APPLICATION OF FEE.—If the requirements
25 described in paragraph (1) or (2), as applicable, are

1 not met with respect to a covered product, the fee
 2 specified in subsection (b) shall apply.

3 (d) TREATMENT OF EVASION OF FEE.—Nothing in
 4 this section shall supersede section 4694(g) of the Internal
 5 Revenue Code of 1986, as added by title I, with respect
 6 to potential evasion of the fee assessed under section 4692
 7 of such Code if—

8 (1) a determination is made under such section
 9 4694(g) with respect to a producer; and

10 (2) the producer is owned, operated, or financed
 11 in or by a country that is not a party to an inter-
 12 national partnership agreement entered into under
 13 this title.

14 **SEC. 203. SUPPORT FOR PARTICIPATION OF LOW-INCOME**
 15 **AND LOWER-MIDDLE-INCOME COUNTRIES IN**
 16 **INTERNATIONAL PARTNERSHIP AGREE-**
 17 **MENTS.**

18 (a) IN GENERAL.—The United States Trade Rep-
 19 resentative, at the direction of the President and in con-
 20 sultation with the heads of the relevant Federal agencies,
 21 may include, in an international partnership agreement
 22 entered into under this title with a country described in
 23 subsection (b), provisions providing for—

24 (1) the provision of treatment described in sec-
 25 tion 202(c) to that country;

1 (2) the extension of untied or tied aid through
2 a United States export, development, or trade agen-
3 cy to support energy technology deployment and
4 manufacturing and secure supply chain development,
5 including financing and technical assistance provided
6 by the United States Agency for International De-
7 velopment, the Department of State, the Millennium
8 Challenge Corporation, and the United States Inter-
9 national Development Finance Corporation;

10 (3) lower initial requirements relating to pollu-
11 tion data monitoring and alternative methods to
12 more accurately project and model pollution under
13 the agreement;

14 (4) support for expansion of monitoring and re-
15 porting of pollution using best practices; and

16 (5) technical assistance to ensure full compli-
17 ance with the terms of the agreement.

18 (b) COUNTRIES DESCRIBED.—A country described in
19 this subsection is—

20 (1) a low-income country or a lower-middle-in-
21 come country; and

22 (2) a country that the United States Trade
23 Representative determines—

24 (A) meets investment thresholds in envi-
25 ronmental infrastructure commensurate with

1 the revenue foregone as a result of not charging
 2 the fee under section 4692 of the Internal Rev-
 3 enue Code of 1986, as added by title I, with re-
 4 spect to covered products imported from the
 5 country;

6 (B) meets procurement thresholds of cov-
 7 ered products and related goods and services
 8 produced in the United States and other coun-
 9 tries that are parties to international partner-
 10 ship agreements under this title;

11 (C) provides preferential market access for
 12 energy and environmental, security, and
 13 healthcare goods and services produced in the
 14 United States; and

15 (D) adopts certain labor and environ-
 16 mental standards.

17 (c) BENCHMARKS AND REQUIREMENTS.—

18 (1) IN GENERAL.—The United States Trade
 19 Representative shall establish benchmarks or re-
 20 quirements to assess the progress of a country de-
 21 scribed in subsection (b) in fully implementing the
 22 terms of an international partnership agreement en-
 23 tered into under this title.

1 (2) BENCHMARKS.—The benchmarks and re-
2 quirements established under paragraph (1) with re-
3 spect to a country shall include—

4 (A) improving methods of monitoring, re-
5 porting, and verifying pollution levels;

6 (B) if, after the entry into force of the
7 international partnership agreement, new man-
8 ufacturing or production capacity for a covered
9 product is built in the country but that capacity
10 is owned or operated, or the majority of the fi-
11 nancing for that capacity is provided, by an en-
12 tity associated with a country that is not a
13 party to an international partnership agree-
14 ment, treating the new capacity—

15 (i) at the pollution intensity of the
16 country that is not a party to an inter-
17 national partnership agreement if the pol-
18 lution intensity for the covered product
19 produced in that country is greater than
20 the pollution intensity of the covered prod-
21 uct produced in the country that is a party
22 to the international partnership agreement;

23 (ii) as not eligible for the treatment of
24 a country that is a party to an inter-

1 national partnership agreement described
2 in section 202; and

3 (iii) in accordance to the requirements
4 of section 4695 of the Internal Revenue
5 Code of 1986, as added by title I; and

6 (C) if, after the entry into force of the
7 international partnership agreement, the owner-
8 ship, a stake of ownership, or operation of man-
9 ufacturing or production capacity for a covered
10 product that is in operation on the date of
11 entry into force is transferred to an entity in a
12 country that is not a party to an international
13 partnership agreement, treating such capac-
14 ity—

15 (i) at the pollution intensity of the
16 country that is not a party to an inter-
17 national partnership agreement if the pol-
18 lution intensity for the covered product
19 produced in that country is greater than
20 the pollution intensity of the covered prod-
21 uct produced in the country that is a party
22 to the international partnership agreement;

23 (ii) as not eligible for the treatment of
24 a country that is a party to an inter-

1 national partnership agreement described
2 in section 202; and

3 (iii) in accordance to the requirements
4 of section 4695 of the Internal Revenue
5 Code of 1986, as added by title I.

6 (d) TERMINATION.—The United States shall main-
7 tain the authority to terminate the application to a coun-
8 try with which the United States enters into an inter-
9 national partnership agreement under this title of the pro-
10 visions described in subsection (a)—

11 (1) if the country does not meet the bench-
12 marks and requirements under subsection (c); and

13 (2) pursuant to the terms of the international
14 partnership agreement.

15 (e) INCLUSION OF OTHER INTERNATIONAL PART-
16 NERS.—To the maximum extent practicable, the United
17 States shall seek to include additional high-income coun-
18 tries and upper-middle-income countries in international
19 partnership agreements entered into under this title with
20 low-income countries or lower-middle-income countries.

21 **SEC. 204. TREATMENT OF CERTAIN FACILITIES RELATING**
22 **TO POLLUTION FEES.**

23 (a) IN GENERAL.—The Commissioner of U.S. Cus-
24 toms and Border Protection and the Administrator of the
25 Environmental Protection Agency shall jointly develop a

1 process under a facility located in a foreign country may
2 apply to have products produced at the facility be treated
3 at a pollution intensity specific to the facility (in this sec-
4 tion referred to as “facility-specific treatment”) instead of
5 the pollution intensity for the country.

6 (b) ELIGIBILITY REQUIREMENTS.—To be eligible for
7 facility-specific treatment under subsection (a), a facility
8 is required to—

9 (1) be placed in service after the date of the en-
10 actment of this Act;

11 (2) be—

12 (A) owned or operated by a United States
13 entity; or

14 (B) located in a country—

15 (i) with which the United States has
16 entered into an international partnership
17 agreement under this title; or

18 (ii) with which the United States has
19 a free trade agreement in effect;

20 (3) comply with procedures to allow for ongoing
21 verification of direct emissions by United States offi-
22 cials or their designees, including requirements that
23 the facility—

1 (A) deploy pollution monitoring equipment
2 able to report in real time the levels of pollution
3 emitted by the facility;

4 (B) provide access to real-time pollution
5 monitoring data;

6 (C) in the absence of pollution monitoring
7 equipment, disclose—

8 (i) the volume and type of fuels con-
9 sumed within the facility for the produc-
10 tion of each covered product;

11 (ii) emissions associated with any fuel
12 combustion within the facility for the pro-
13 duction of each covered product, including
14 for industrial processes and any electricity,
15 heat, or steam production; and

16 (iii) all emissions associated with the
17 chemical and physical transformation of
18 raw materials within the facility for the
19 production of each covered product; and

20 (D) allow for spot inspections to ensure
21 compliance with the requirements of this sub-
22 section;

23 (4) account for the indirect emissions from the
24 production of electricity, heating, and cooling that is

1 produced outside the facility and consumed in the
2 production of a covered product;

3 (5) account for the emissions associated with
4 the manufacture of input materials or precursors
5 that are consumed in the production of a covered
6 product;

7 (6) disclose the volume and value of all covered
8 products produced in the facility;

9 (7) for facilities that manufacture a mix of cov-
10 ered products and products that are not covered
11 products, disclose the fraction of production of cov-
12 ered products as a share of total output volume and
13 value; and

14 (8) identify the covered entity with respect to
15 covered products produced at the facility for which
16 the covered entity is not the owner of the facility.

17 (c) RECONSIDERATION OF DETERMINATIONS OF
18 POLLUTION INTENSITY.—The Commissioner of U.S. Cus-
19 toms and Border Protection and the Administrator of the
20 Environmental Protection Agency may establish a process
21 under which a United States entity a subsidiary of which
22 owns or operates a facility granted facility-specific treat-
23 ment under subsection (a) may petition for reconsider-
24 ation of the determination of the pollution intensity spe-
25 cific to the facility.

1 (d) APPLICATION OF VARIABLE CHARGE.—A product
 2 produced by a facility granted facility-specific treatment
 3 under subsection (a) and imported into the United States
 4 shall be subject to the variable charge determined under
 5 section 4693(a) of the Internal Revenue Code of 1986, as
 6 added by title I, aligned with the pollution intensity dif-
 7 ference of a product produced by the facility and the base-
 8 line pollution intensity.

9 (e) INELIGIBILITY OF FACILITIES IN OR OWNED BY
 10 NONMARKET ECONOMY COUNTRIES.—A facility is not eli-
 11 gible for facility-specific treatment under subsection (a)
 12 if—

13 (1) the facility—

14 (A) is located in a nonmarket economy
 15 country; and

16 (B)(i) is owned, partially owned, or oper-
 17 ated by the government of the country or an
 18 entity owned or controlled by that government;
 19 or

20 (ii) has received financing, including in the
 21 form of a tax credit or a limit on tax liability,
 22 to operate the facility by the government of the
 23 country or an entity owned or controlled by that
 24 government; or

1 (2) the facility is owned, partially owned, or op-
 2 erated by—

3 (A) an entity owned or controlled by the
 4 government of a nonmarket economy country,
 5 without regard to whether the facilitated is lo-
 6 cated in such a country; or

7 (B) a foreign entity of concern.

8 (f) **TERMINATION OF FACILITY-SPECIFIC TREAT-**
 9 **MENT.**—The eligibility of a facility for facility-specific
 10 treatment under subsection (a) may be terminated at the
 11 sole discretion of the United States if the facility fails to
 12 satisfy any of the requirements under subsection (b) or
 13 becomes ineligible under subsection (e).

14 (g) **CONFIDENTIALITY OF INFORMATION.**—Any in-
 15 formation or data provided to the Commissioner of U.S.
 16 Customs and Border Protection or the Administrator of
 17 the Environmental Protection Agency pursuant to sub-
 18 section (b) relating to operational practices or manufac-
 19 turing processes of a facility seeking facility-specific treat-
 20 ment under subsection (a), may not be publicly disclosed,
 21 unless such information or data is otherwise publicly avail-
 22 able.

23 **SEC. 205. DEFINITIONS.**

24 (a) **IN GENERAL.**—In this title:

1 (1) FREE TRADE AGREEMENT.—The term “free
2 trade agreement” means an agreement with 1 or
3 more countries that—

4 (A) reduces or eliminates tariffs and non-
5 tariff barriers between the countries that are
6 parties to the agreement; and

7 (B) is approved by Congress.

8 (2) NONMARKET ECONOMY COUNTRY.—The
9 term “nonmarket economy country” means any for-
10 eign country that the Secretary of Commerce deter-
11 mines, pursuant to section 771(18) of the Tariff Act
12 of 1930 (19 U.S.C. 1677(18)), does not operate on
13 market principles of cost or pricing structures, so
14 that sales of merchandise in that country do not re-
15 flect the fair value of merchandise.

16 (3) UNITED STATES ENTITY.—The term
17 “United States entity” means an entity organized
18 under the laws of the United States or any jurisdic-
19 tion within the United States.

20 (b) OTHER TERMS.—In this title, the definitions set
21 forth in section 4691 of the Internal Revenue Code of
22 1986, as added by title I, apply.

23 (c) WORLD BANK CLASSIFICATIONS.—In this title:

24 (1) IN GENERAL.—Subject to paragraph (2),
25 the terms “high-income country”, “upper-middle-in-

come country”, “lower-middle-income country”, and
 “low-income country” shall be defined based on the
 classification of the economy of a country by the
 World Bank.

(2) HIGH-INCOME AND UPPER-MIDDLE-INCOME
 COUNTRIES.—In the case of any country which, as
 of January 1, 2025, is classified by the World Bank
 as a high-income country or an upper-middle-income
 country, such country shall not be eligible to be re-
 classified as a lower-middle-income country or a low-
 income country.

TITLE III—OTHER MATTERS

SEC. 301. ANNUAL REPORT.

(a) IN GENERAL.—Not later than one year after the
 date of the enactment of this Act, and annually thereafter,
 the Secretary of the Treasury shall submit to Congress
 a report—

(1) describing the efforts of the Department of
 the Treasury—

(A) to help United States entities that
 manufacture covered products counter unfair
 competition from nonmarket economy countries;
 and

(B) to increase jobs in the United States;

1 (2) assessing the competitive advantage of the
2 United States with respect to greenhouse gas inten-
3 sity; and

4 (3) assessing the impact of this Act and the
5 amendments made by this Act on the United States
6 trade deficit and economic activity.

7 (b) BIENNIAL REVIEWS.—In each report required by
8 subsection (a) submitted during an odd-numbered year,
9 the Secretary shall include an assessment of whether this
10 Act and the amendments made by this Act are achieving
11 their intended policy goals.

12 (c) COVERED PRODUCT DEFINED.—In this section,
13 the term “covered product” has the meaning given that
14 term in section 4696 of the Internal Revenue Code of
15 1986, as added by title I.

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