



Border Carbon Adjustment Proposals in the 119th Congress

Issue Brief

October 28, 2025

As trade policy takes center stage with President Donald Trump's second administration and a Republican-led Congress, proposals at the intersection of climate and trade are gaining renewed attention. This issue brief explores the emergence of border carbon adjustments as a key global policy tool to align climate and economic priorities.

This issue brief also reviews the global outlook, highlighting the European Union's Carbon Border Adjustment Mechanism, which enters its operational phase in January 2026, and examines key U.S. legislative proposals currently working their way through Congress. The Business Council for Sustainable Energy (BCSE) supports the use of market-based mechanisms to address environmental pollution and reward high-performing industries.

What Are Border Carbon Adjustments (BCAs)?

Also referred to as Carbon Border Adjustment Mechanisms (CBAMs), a border carbon adjustment (BCA) is a tool that administers a fee on imported goods based on the level of pollution generated during their production. It utilizes trade as a mechanism to address pollution associated with imported goods. Governments implement BCAs to protect the competitiveness of domestic manufacturers in the global market.

In this way, BCAs aim to align trade and national security objectives with pollution-reduction objectives. The focus of these import fees to address foreign pollution is on [emissions-intensive, trade-exposed industries](#) such as steel, aluminum, cement, and, increasingly, components used in clean energy manufacturing.

To qualify as a BCA, the mechanism must include:

1. A fee on pollution-intensive imports.
2. An adjustment component based on the pollution intensity of the imported product.
3. A tax on domestic, pollution-intensive goods. (Without a domestic tax, this mechanism is a carbon tariff.)
4. Credits or exemptions against the import tax for economic and administrative purposes.

What Are Border Carbon Adjustments (BCAs)? (Cont.)

Common Policy Objectives

1. **Ensure Fair Competition and Protect Domestic Industry:** BCAs address concerns about variations in pollution-reduction policies in the global market by placing a price on the externality of pollution.
2. **Prevent Pollution Leakage:** They aim to prevent pollution leakage, which occurs when industries shift their production to other countries with weaker environmental standards.
3. **Leverage Trade to Incentivize Decarbonization and Pollution Reductions:** BCAs encourage companies to reduce their pollution and motivate other countries to decarbonize their economies.

Note: While BCAs and “carbon tariffs” are often used interchangeably, there are important design distinctions: BCAs typically imply a comprehensive system that may include both domestic and import carbon pricing, while the term “carbon tariff” emphasizes taxing foreign producers and protecting domestic industry.

Global State of Play for Border Carbon Adjustments

The European Union

The [EU’s carbon border adjustment mechanism](#) is the first operational CBAM. After being finalized in May of 2023, the first phase – the transitional phase that requires reporting – took effect in October 2023. The [next and second phase](#) is scheduled for January 2026 to begin payments. The EU CBAM is designed as follows:

- Pollution import fees equivalent to the EU emissions trading scheme (ETS) allowance, which covers major pollution-intensive industries that account for [40% of the EU’s greenhouse gas emissions](#).
- Exemptions to non-EU countries that participate in the EU or their own emissions trading scheme or domestic carbon pricing system.

Note: While the EU is the only operational CBAM so far, the United Kingdom, Taiwan, and Norway have begun the implementation of their CBAMs. Additionally, countries that are considering CBAMs include Australia, Canada, India, South Korea, and Japan – some in response to the EU’s CBAM.

Global Reaction

Emerging and developing economies who trade with countries implementing BCAs have raised concerns about the impact of tariffs on their exports. For the EU’s CBAM, much of the greater direct and indirect impacts on developing countries are still unfolding, as payments on the policy begin in January 2026.

Global State of Play (Cont.)

In the meantime, the EU Parliament has reassured partners that the policy supports countries financially with revenue it generates to decarbonize and subsidize green technologies. As other countries consider proposals, open negotiations about BCA design are essential to limiting disruption to key partnerships, and emerging and developing countries would like to be included.

U.S. Legislative Proposals Currently Under Consideration

Addressing both pollution-reduction and trade objectives at the same time, BCAs and carbon tariffs have garnered support from U.S. leaders as a way to prevent pollution leakage, promote fair competition, and protect domestic industries, especially from [non-market entities](#) (NMEs) like China. Members of President Trump’s administration, such as Treasury Secretary Scott Bessent, have [expressed support of the concept](#) as a tool to create accountability with foreign trade partners, demonstrating growing political favor for carbon tariffs. However, it is not yet an official position of the administration.

Among legislative proposals, there are stark differences in how BCAs are structured and justified. The following table compares major legislative proposals introduced in the 118th and 119th Congresses.

Legislation	Foreign Pollution Fee Act	Methane Border Adjustment Mechanism Act	PROVE IT Act	Clean Competition Act	MARKET CHOICE Act
Primary Sponsor	Sen. Cassidy (R-LA)	Rep. Brownley (D-CA)	Sen. Coons (D-DE)	Sen. Whitehouse (D-RI)	Rep. Fitzpatrick (R-PA)
118 th or 119 th Congress	119 th	119 th	118 th ; 119 th anticipated	118 th	118 th
Domestic Price on Pollution	No	Yes	No	Yes	Yes
Industries Covered	Hydrogen, solar products, battery inputs, steel, aluminum, cement, glass, fertilizer	Fossil fuels	Fossil fuels, lithium-ion batteries, solar cells and panels, wind turbines, refined and critical minerals	Fossil fuels and hydrogen	Fossil fuels, semiconductors, electrical transmission goods
Distribution of revenue from border fee	Not specified	Not specified	N/A	75% to Treasury grant program; 25% to State Department	75% to trust fund; 25% unallocated
Exemptions	Countries can become exempt through negotiations by Trade Representatives	Least developed countries	Countries other than Group Seven (G7) countries, countries with a Free Trade Agreement with the United States, and FEOC	Importers may request an exemption for a specific facility if they provide supporting data	Least developed countries
Targets for Foreign Entities of Concern (FEOC)	Yes	Yes	Yes	Yes	Not specified
Pollution Charge Design	Ad valorem and variable charge relative to U.S. pollution intensity	Global warming potential multiplier for methane applied to domestic and import fees	N/A	Facilities exceeding GHG pollution and trade intensity thresholds benchmark pay a fee that increases annually	\$35/metric ton fee on CO ₂ , increasing by 5% annually



Pending U.S. Legislation

Foreign Pollution Fee Act

One of the most high-profile congressional carbon tariff proposals introduced is the Foreign Pollution Fee Act (FPFA) sponsored by Senator Bill Cassidy (R-LA). The bill’s text describes it as a “Trade and Manufacturing Act,” whose main objectives are to bolster U.S. manufacturing and jobs, economic growth, and the nation’s competitive advantage without imposing a domestic carbon price.

Bill number: [S.1325](#)

Date introduced: 4/8/25

Primary sponsor: Senator Bill Cassidy (R-LA)

Status: Referred to committee

Committee reviewing: Senate Committee on Finance

The FPFA is distinct in its approach to carbon-related trade policy because it avoids a domestic carbon tax, instead focusing on imposing import fees strictly based on the pollution intensity of foreign goods relative to U.S. benchmarks. FPFA framing aligns with economic competitiveness and national security, which has been supported by Trump leadership. The import fees would cover solar products, battery inputs, and hydrogen products.

The legislation features:

- tiered tariffs,
- anti-evasion provisions,
- and pathways for international partnerships that reward cleaner production, particularly in emerging economies.

Exemptions: Countries can become exempt through negotiations by Trade Representatives in establishing an international partnership, which would function like a trade agreement.

Pollution charge design: Ad valorem and variable charge relative to U.S. pollution intensity.

BCSE Advocacy

BCSE [praised](#) the re-introduction of the Foreign Pollution Fee Act of 2025 in April. BCSE President Lisa Jacobson also attended Sen. Bill Cassidy’s [Louisiana Energy Security Summit](#) in October 2025, where the senator discussed the need to bolster the United States’ competitive advantage through import fees.

Pending U.S. Legislation (Cont.)

Methane Border Adjustment Mechanism Act

This legislation proposes a Methane Border Adjustment Mechanism (MBAM) that aims to encourage oil and natural gas producers worldwide to cut methane pollution by applying a fee on methane associated with imports to the United States. The approach endeavors to align with international trade rules, including World Trade Organization standards, and to ensure fair competition for U.S. producers.

The MBAM would be built upon the imposition of a domestic methane fee implemented by the [Inflation Reduction Act in 2022](#), also known as the waste pollution charge (WEC). However, the [WEC was repealed](#) in March 2025 through a Congressional Review Act joint resolution, with full elimination of the rule by the U.S. Environmental Protection Agency in May 2025. Although there is no longer a domestic methane fee, the MBAM's focus on methane reflects a broader effort to address foreign pollution, and methane may continue to receive specific policy attention.

Exemption: Imports originating from countries classified by the United Nations as “least developed” shall be exempt from the methane pollution fee.

Pollution charge design: The [global warming potential \(GWP\) multiplier](#) for methane is applied to domestic and import fees for methane pollution.

Bill number: [H.R.480](#)

Date introduced: 1/16/25

Primary sponsor: Rep. Julia Brownley (D-CA-26)

Status: Referred to committee

Reviewing committee: House Committee on Ways and Means

Major Proposals in the 118th Congress

PROVE IT Act

The PROVE IT Act directs the U.S. Department of Energy to study and report the average pollution intensity of emissions-intensive, trade-exposed sectors in specified countries. It would establish a U.S.-specific source of data on the emissions intensity of domestically produced goods. As other countries, including Canada, Australia, and Taiwan, explore or implement BCAs alongside the European Union, maintaining accurate domestic data will help ensure U.S. exports are appropriately evaluated under these frameworks.

Since the bill did not make it into an end-of-year package in the 118th Congress, the bill sponsors hope to build on the momentum of this Congress with continued bipartisan support.

Exemptions: Emissions-intensity study only applies to Group Seven (G7) countries, countries with Free Trade Agreements with the U.S., and Foreign Entities of Concern (FEOC). See [this summary](#) by the Climate Leadership Council for the list of countries.

Bill number: [S.1863](#)

Date introduced: 6/7/23

Primary sponsors: Sens. Chris Coons (D-DE) and Kevin Cramer (R-ND)

Status: Referred to committee

Reviewing committee: Senate Environment and Public Works Committee

Major Proposals in the 118th Congress (Cont.)

Pollution charge design: No pollution charge. The bill simply directs DOE to study pollution intensity of both domestic and foreign industries.

BCSE Advocacy

BCSE [supports](#) the reintroduction of the PROVE IT Act because it provides reliable data demonstrating the carbon efficiency of U.S. industries, particularly those deploying clean energy technologies, and enhances market transparency.

Clean Competition Act

The Clean Competition Act (CCA) differs from the Foreign Pollution Fee Act for its imposition of a domestic fee and is the closest model of the proposals to the EU CBAM. It would impose a carbon intensity charge on both domestic and imported primary goods from emissions-intensive sectors, based on a benchmark tied to U.S. producers' average pollution performance, with the fee increasing annually and applying to finished goods. The bill includes exemptions for emerging economies, refunds for U.S. exporters, and a revenue split between industrial decarbonization grants and international climate efforts, while allowing the U.S. Department of Treasury to waive charges for countries with equivalent climate policies.

Distribution of revenue from border fee: The bill would allocate 75% of revenues to Treasury to establish and implement a competitive grant program to eligible entities for investments in technology that reduce their carbon intensity, and allocate 25% of the total revenues to the Department of State for multilateral assistance to support climate and clean energy development programs.

Exemptions: Importers may request a facility-specific intensity measure, instead of defaulted industry-specific intensity measure, if they provide supporting data.

Pollution charge design: Covered goods must meet greenhouse gas (GHG) pollution intensity and trade intensity thresholds set by the Treasury; facilities exceeding this benchmark pay a fee that increases annually.

Bill number: [S. 3422](#)

Date introduced: 12/6/23

Primary sponsor: Sen. Sheldon Whitehouse (D-RI)

Status: Referred to committee

Reviewing committee: Senate Committee on Finance

MARKET CHOICE Act

The MARKET CHOICE Act would implement a domestic carbon tax on fossil fuel combustion and certain industrial processes, paired with a border adjustment on imports of goods from emissions-intensive and trade-exposed sectors. Importers would pay a fee equivalent to the domestic carbon tax burden, while U.S. exporters would receive a rebate for the tax paid prior

Major Proposals in the 118th Congress (Cont.)

to exporting, aiming to maintain competitiveness and reduce pollution. The bill saw no new support in the 118th Congress and faced strong opposition, particularly from conservative representatives.

Distribution of revenue from border fee: The bill would create a trust fund called the Rebuilding Infrastructure and Solutions for the Environment (RISE), receiving 75% of tax revenue, including domestic and carbon import taxes, while the remaining 25% would be unallocated.

Exemptions: Exempts least developed countries, as designated by the United Nations, as well as countries contributing under 0.5% of global greenhouse gas (GHG) pollution and less than 5% of global production in a covered sector.

Pollution charge design: The fee on carbon dioxide would be \$35/metric ton and would increase by 5% annually.

Bill number: [H.R.6665](#)

Date introduced: 12/7/23

Primary Sponsors: Reps. Brian Fitzpatrick (R-PA-1) and Salud Carbajal (D-CA-24)

Status: Referred to committee

Committee reviewing: House Agriculture Committee, Subcommittee on Commodity Markets, Digital Assets, and Rural Development

For more information on this topic:



[Projected Effects of the Foreign Pollution Fee Act of 2025](#) – Resources for the Future

[Carbon Import Fees: Active and Proposed Policies](#) – Climate Leadership Council

[America's Carbon Advantage 2025](#) – Climate Leadership Council

[Border Carbon Adjustments: Policy Considerations, Legislation, and Developments in the European Union](#) – Congressional Research Service

[The PROVE IT Act Explained](#) – Climate Leadership Council

[Clean Competition Act Summary](#) – Niskanen Center

[Reps. Fitzpatrick and Carbajal Reintroduced the MARKET CHOICE Act. What's in the Updated Proposal?](#) – Niskanen Center

[Press Release: Foreign Pollution Fee Act of 2025 Will Boost American Competitiveness](#) – BCSE

[Press Release: BCSE Statement in Support of the PROVE IT Act](#) – BCSE

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