Clean Competition Act

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The problem: Over the last half century, U.S. share of global manufacturing has declined, translating into factory closures, job losses, and supply chain vulnerabilities. Global manufacturing share has shifted from cleaner, low-carbon economies (like the U.S.) to more emissions-intensive producers, undermining climate progress and putting more responsible firms at a competitive disadvantage. On average, the U.S. economy is over 50% less carbon intensive than its trading partners. The Chinese economy is more than 3X as carbon intensive as the U.S. economy; India and Russia are approximately 4X and 5X as carbon intensive.

Despite purporting to address this problem, the Trump Administration's illegal IEEPA tariffs have created economic chaos and worsened many of the underlying dynamics. Congress should set fairer, more predictable trade rules that support a race to the top for global decarbonization.

The solution: Impose a carbon border adjustment on the dirtiest producers. Reinvest the revenues generated in assisting U.S. manufacturers to further decarbonize and helping developing countries take similar steps. Establish a system of carbon clubs that expands markets for the lowest carbon goods. The Clean Competition Act would operate as follows:

***Focus on energy-intensive industry*:** Oil, gas, coal, refining, petrochemicals, fertilizer, hydrogen, adipic acid, cement, iron & steel, aluminum, glass, pulp & paper, and ethanol.

***Determine a baseline carbon intensity for each industry and penalize excess emissions*:**

- Treasury establishes the baseline as the average carbon intensity for each covered industry in 2026 based on facility emissions already reported to EPA and electricity emissions**.**
- The baseline tightens; excess emissions from the dirtiest imports and domestic facilities face a carbon intensity charge, starting at $60/ton and increasing annually at 6% plus inflation.
    - Because of our carbon efficiency, this rebalances trade in favor of U.S. producers.

Reinvest revenues raised by the carbon intensity charge in decarbonization:

- 75% of revenues raised are reinvested through DOE administered grants, loans, rebates, and contracts for difference to support the decarbonization of domestic industry.
- 25% of revenues raised go toward State Department economic support funds to help developing countries decarbonize and to facilitate carbon club negotiations.

Establish carbon clubs to expand the global market for low-carbon goods:

- The President may negotiate carbon club agreements with likeminded allies who agree to cooperate on industrial decarbonization, enforce carbon border measures of their own, and uphold labor and environmental standards.
- Developing nations that join the carbon club receive first preference for State Department financial assistance on industrial decarbonization.
- Carbon club members may have carbon border measures waived if they implement domestic industrial decarbonization policies with commensurate effect as this act.