August 10, 2021

Dear Members of Congress:

The undersigned organizations oppose including a proposed carbon border tax in the Senate's possible $5.1 trillion budget reconciliation package. This policy would fail to promote sound international trade or responsible fiscal policy. It would harm the American economy and American families.

Under consideration is language from the FAIR Transition and Competition Act developed by Sen. Coons and Rep. Peters. It would impose a tax on imports of carbon-intensive goods that are "exposed to trade competition," including aluminum, cement, iron, steel, natural gas, petroleum, and coal. A fact sheet explains that among the legislation's purposes are to "protect U.S. jobs, and reduce reliance on foreign energy sources." This approach would not accomplish those objectives, yet it almost certainly would violate U.S. international obligations undertaken by Congress when legislation creating the WTO was passed in 1994. Providing the same treatment to goods from foreign countries and those produced domestically (nondiscrimination) is a key tenet of the rules-based global trading system. Taxing imported goods in a way that doesn't apply to domestic goods is discriminatory on its face.

The Biden administration has made clear it hopes to improve relations with other nations, especially allies. Imposing a new, discriminatory import tax would take a big step in the opposite direction, intensifying the trade war while irritating all countries that export the affected products to the United States. This is a counterproductive approach to demonstrating responsible U.S. leadership in global affairs.

In the context of offsetting the spending being contemplated in the proposed infrastructure plan, the revenue that could be raised by a carbon border tax is minimal, yet the tax would be highly destructive to U.S. business interests. The Coons-Peters language claims it would produce tax rates per ton of carbon emitted that would be roughly equivalent to the costs of environmental regulations paid by companies operating in the United States. But if set at a relatively low level, tax collections also would be low because the import volume of the taxed items isn't that significant in the context of the entire U.S. economy. If set at a high level, imports would drop dramatically, so the resulting tax collection will be modest.

Even small border taxes would meaningfully increase business uncertainty and disrupt existing supply chains. Restructuring supply chains would take time, increase overall costs for many businesses, and reduce competitiveness of many U.S. businesses. Higher taxes and rising costs for goods and services reduce Americans' standards of living. Workers, consumers, and the families they comprise would be hurt by this proposal.

The United States deserves a serious and thoughtful discussion about how the nation's fiscal situation can be brought under control. The federal government ought not to continue spending far more than it raises in taxes. Lawmakers also ought to ensure that federal government operations do not absorb an ever-growing share of the people's resources. A carbon border tax would slow economic growth and make addressing the debt even more difficult. It would undermine U.S. global leadership, and it would fail to produce environment benefits commensurate with its costs. **Most importantly, it would harm workers and families by hurting jobs and hiking prices at a time when they can least afford it.**

For the above reasons, we urge Congress to reject a carbon border tax.

Sincerely,

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Chief Government Affairs Officer
Americans for Prosperity

Phil Kerpen
President
American Commitment

Thomas J. Pyle
President
American Energy Alliance

Terry Schilling
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