THIRD WAY

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Boosting US Steelmaking, Raising Revenue: The Case for FPFA

Ryan Fitzpatrick, *Senior Director of Domestic Policy, Climate and Energy Program*, ***Catherine Grossman***, *Special Advisor*

Key Findings: GEI Report on the Foreign Pollution Fee Act (FPFA)

A new report from Global Efficiency Intelligence (GEI), commissioned by Third Way, shows how the proposed Foreign Pollution Fee Act (FPFA) could reshape the steel market, boost the competitiveness of US industry, and cut global emissions. The findings show that the FPFA would reduce carbon-intensive imports, generate billions in new revenue, and create a level playing field for American manufacturers already producing cleaner, more efficient goods.

The FPFA, Explained

The FPFA places a carbon-based fee on imports of energy-intensive commodities like steel, aluminum, cement, and glass. The dirtier the production process compared to US standards, the higher the fee. Non-market economies such as China and Vietnam, which combine high emissions with unfair trade practices, face enhanced penalties.

Key Findings

1. Imports Drop Sharply:

- With FPFA enacted, US steel imports could fall by 34% in 2026 compared to 2024.
- Imports from China (-95%) and Vietnam (-85%) would plummet.
- Imports from the Netherlands, Austria, India, and Japan could each drop by 40% or more.

2. Big Revenue Potential: Between 2026–2030, the FPFA could raise $14.7-$36.3 billion from fees on steel imports alone.

3. Cleaner Steel Advantage: With lower emissions than most global competitors, US steel would likely gain market share and attract new domestic investment. Dirtier imports would be replaced by US production or imports from countries with higher standards, making America's already cleaner steel even more competitive.

Why This Matters

The US already has a built-in advantage in steel and other heavy industries: cleaner, more efficient production. By holding the dirtiest imports accountable, the FPFA would:

- Create a fairer competitive environment for US manufacturers.
- Encourage investments that expand production and create jobs.
- Bolster the defense industrial base by reducing reliance on adversaries
- Incentivize foreign producers to modernize and lower their emissions.

Domestic steel producers have noted that Section 232 tariffs on steel, by limiting the threat of cheap imports undermining profitability, give them room to reinvest in their facilities. A carbon border adjustment mechanism like the FPFA would build on this effect, further reducing risk and increasing the incentive for domestic manufacturers to invest in long-term success. To benefit fully from a CBAM, producers would need to continuously improve efficiency and adopt low-emissions technologies, ensuring that US steel maintains its competitive advantage over global rivals.

Unlike sweeping tariffs, carbon border fees are precise and targeted. The worst polluters pay the most, while American industry gets room to innovate and grow. That makes the FPFA both an economic and climate win.

What Comes Next?

GEI's findings confirm what we've long believed: a carbon border adjustment is the right tool to strengthen US manufacturing, cut emissions, and hold foreign polluters accountable. As currently drafted, FPFA revenues would reduce the federal deficit. That's a necessary and worthy goal, but reinvesting even a fraction into advanced manufacturing and industrial decarbonization could amplify the benefits, securing US leadership in cleaner industry for decades to come. Regardless, Congress should continue to advance the Foreign Pollution Fee Act as a tool to boost US competitiveness, responsible revenue generation, and cleaner manufacturing worldwide.

For the full analysis and detailed data, you can read the complete GEI report **here**.