Brief Description of a Carbon Border Tax Adjustment

1. Concurrent with the implementation of a border tax adjustment on carbon intensive products (carbon BTA), the United States would enact a domestic Pigouvian tax on carbon dioxide emissions, denominated in dollars per ton of CO2-eq.

2. A closed set of “carbon intensive” products would be identified by whether they were “emission intensive and trade exposed” (EITE).

3. Both foreign and domestic producers of a carbon intensive product would use a greenhouse gas lifecycle analysis to identify the quantity of greenhouse gases emitted to the atmosphere in the production of that product (the “embedded emissions.”)

4. Importers of carbon intensive products would pay the product of the embedded emissions of the imported carbon intensive product and the rate of the domestic Pigouvian tax.

5. Importers of carbon intensive products would be credited for the mitigation efforts of the jurisdiction in which the carbon intensive product was manufactured.

6. Exporters of carbon intensive products would be refunded the product of the embedded emissions of the exported carbon intensive product and the rate of the domestic Pigouvian tax.

7. Exporters would have deducted from their refund any amount of carbon BTA that would otherwise be paid to the country into which they are importing.

Trade Law Compliance

1. The carbon BTA is compliant with the GATT Most Favored Nation disciplines because it does not grant to any member country an “advantage” which it does not grant to any other member country.

2. The carbon BTA is compliant with the GATT National Treatment disciplines because it does not tax an imported product “in excess” of the like domestic product. Nor does the carbon BTA treat the imported product less favorably than the like domestic product.

3. In the unlikely case that the Appellate Body does find the carbon BTA to violate one of the GATT disciplines, the carbon BTA will satisfy the GATT General Exception XX(b) (“necessary to protect human, animal or plant life or health”) or XX(g) (“conservation of exhaustible natural resources.”)

Other International Agreements

1. The carbon BTA would interact with other environmental agreements, most saliently, the result of the presently on-going negotiations under the United Nations Framework Convention on Climate Change.