



LNG market ignites Jones Act debate on Capitol Hill

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A request in December to waive the Jones Act for 10 years to allow U.S.-manufactured liquefied natural gas (LNG) to be transported to Puerto Rico on foreign ships has revealed the latest political schisms over the 100-year old maritime law.

The waiver request, made by the Governor of Puerto Rico, is being made as part of a massive rebuilding effort on the island in the wake of long-term damage caused by Hurricane Maria in 2017.

However, “it’s just the oil and gas industry trying to get their foot in the door to dis-establish what is a very successful U.S. story in terms of maintaining at least a minimal merchant marine capability [and] shipbuilding capability,” said Peter DeFazio (D-OR), Chairman of the House Transportation & Infrastructure Committee (T&I), at a committee hearing on infrastructure last week. “If we undermine the Jones Act we won’t have that anymore.”

The Jones Act, passed in 1920, requires commercial vessels moving cargo between U.S. ports (including Puerto Rico) be built and flagged in the U.S., as well as crewed by American seafarers.

DeFazio and his committee’s ranking member, Sam Graves (R-MO), wrote last month to Department of Homeland Security (DHS) Secretary Kirstjen Nielsen opposing the waiver. DHS bases waiver request decisions on input from several sources, including U.S. Customs and Border Protection (CBP), an agency within the department. A CBP spokesperson told FreightWaves that CBP “is currently evaluating the waiver request, and is working with its federal agency partners to ascertain all facts that will be pertinent to our decision.”

The House T&I Committee’s bi-partisan support for the law was mirrored in the Senate during a concurrent Commerce Committee hearing on infrastructure.

“Properly enforcing the Jones Act is important for economic and national security,” said Roger Wicker (D-MS) at the start of the hearing. “I recently sent a letter to the President – along with several colleagues on this committee – to express support for the Jones Act and to encourage the administration to convene a meeting of all stakeholders to discuss how the domestic maritime industry can meet new demands and serve new markets.”

But support for the Jones Act is not shared among other Republicans in Congress. On March 7, a day after the House and Senate hearings, Republican Mike Lee (R-UT) introduced legislation to permanently get rid of the law.

“Restricting trade between U.S. ports is a huge loss for American consumers and producers,” Lee said in announcing his bill, the Open America’s Water Act of 2019.

“It is long past time to repeal the Jones Act entirely so that Alaskans, Hawaiians and Puerto Ricans aren’t forced to pay higher prices for imported goods – and so they rapidly receive the help they need in the wake of natural disasters.”

Lee cited a 2017 study by the Cato Institute asserting that the restrictions imposed by the Jones Act results in U.S. domestic shipping being more expensive to American businesses and consumers. “The Act makes it cheaper for U.S. livestock farmers to buy grain from overseas than from American sources,” according to the study. “States like Maryland and Virginia import their road salt rather than buy it from Ohio. The east coast of the U.S. cannot afford to get lumber from the Pacific Northwest. And shipping oil from Texas to New England costs about three times as much as shipping it to Europe.”

In addition to helping to protect American mariner and shipbuilding jobs, supporters of the Jones Act also maintain that the law is vital to national security. As of February, 99 of the U.S.-flagged commercial ships operating in the domestic markets were large enough to operate in the international trades – the types of vessels needed to help meet U.S. Department of Defense requirements, testified Mark Buzby, head of the U.S. Maritime Administration.

“Those 99 Jones Act ships employ the majority of mariners I’m going to need to man up 61 government sealift ships. Absent the Jones Act and the jobs that go with them, we’re not taking this country to war.”

Testifying on Puerto Rico’s 10-year LNG waiver request, Michael Roberts, vice president and general counsel for domestic vessel operator Crowley Maritime, who was representing the American Maritime Partnership, said that because Puerto Rico cited no national defense basis for the waiver, granting it would be illegal.

Besides, he said, “if there is a real near-term need for bulk deliveries of LNG to the island, the starting place to meet that need is with a solution that complies with the law and keeps the Jones Act intact. If someone believes that a waiver is needed, the place to make that case is in Congress, not by asking the administration to twist the existing Jones Act waiver law inside out.”