



How a Federal Agency Put New Englanders in Danger to Protect an Industry From Competition

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During the frigid winter of 2017-18, New England came within two days of rolling blackouts. Natural gas supplies were so constrained that officials with the region's electric grid operator, ISO New England, said later they'd prepared to cut electricity generation so people would have enough gas to heat their homes.

It didn't happen, but the scare got the attention of New England's governors. Later in 2018, Democratic and Republican governors joined ISO New England in declaring winter fuel security to be the region's most significant issue. In a joint letter, they suggested ways to increase the fuel supply, particularly natural gas, for the region.

Among their recommendations was modifying the Jones Act, a century-old shipping law, "to ensure that LNG can be delivered in a timely manner during winter months."

LNG refers to liquified natural gas, the form in which the fuel is shipped. In 2011, the United States became the world's No. 1 producer of natural gas. The Department of Energy projected in late 2018 that the United States was on track to become the world's No. 3 exporter of liquified natural gas, behind Australia and Qatar.

But these record LNG supplies were being shipped abroad, not to New England, thanks to the Jones Act. That law requires ships that transport goods directly between two U.S. ports to be American-made and American-owned. And there are no LNG tankers that fit those qualifications.

New England uses natural gas to generate more than half of its electricity. The region depends on oil and natural gas for home heating during the winter. More than 50 percent of Massachusetts homes and 35 percent of Connecticut homes use natural gas for heat, according to the Energy Department.

This would be of little concern if pipeline construction kept pace with natural gas production. But anti-fracking and anti-fossil fuel campaigns led to pipeline proposals being killed in places like New York and Pennsylvania. That left New England with one option during the winter: LNG delivered by tanker. But the Jones Act closed off that supply.

That has put the region in a dangerous position, as the winter of 2017-18 made clear.

The CEO of ISO New England, the region's power grid operator, testified to the Senate Committee on Energy and Natural Resources in January 2018 that New England's access to natural gas was dangerously constrained.

"Bitter cold temperatures drove an increase in demand for natural gas," Gordon Van Welie said in his testimony. "However, we've known for several years that when it gets cold, New England does not have sufficient natural gas supply infrastructure to meet demand for both home heating and power generation. Constrained pipelines resulted in substantially higher natural gas prices, which led to much older and less efficient oil- and coal-fired power plants running 'in merit.'"

It was no secret in Washington that New England was one long cold snap away from rolling blackouts.

Yet emails obtained by the Cato Institute through the Freedom of Information Act show that officials in the Maritime Administration (MARAD), a subdivision of the Department of Transportation, worked in coordination with the U.S. shipbuilding industry to block a Jones Act waiver for New England.

Why? To protect U.S. shipbuilders from foreign competition.

In January 2019, a senior MARAD official lobbied others in the government, including the secretaries of energy and transportation, to oppose a waiver. MARAD also tried to stop Massachusetts' waiver request, partly by giving the state false information about the status of a waiver request from Puerto Rico.

The emails "show an organization actively trying to stymie Jones Act waivers and peddling information that is either unknowingly inaccurate (disturbing given that MARAD should be the most knowledgeable U.S. government agency regarding maritime affairs) or meant to deceive," according to Cato Institute scholar Colin Grabow.

At one point, MARAD was coordinating with the president of the Massachusetts Maritime Academy, who was working with a Jones Act industry lobbying firm, to persuade Massachusetts state officials not to request a waiver.

In the end, no waiver was granted. But that didn't make the problem go away. This year ISO New England, the Federal Energy Regulatory Commission, New England governors and the CEO of Eversource have warned that without additional access to natural gas, the region could face winter blackouts. Again, New England leaders have floated a Jones Act waiver as a way to get access to needed natural gas supplies.

So far, the administration has resisted the requests (though it did grant a waiver for Puerto Rico after Hurricane Ian). New Englanders are heading into another precarious winter situation, wondering whether their government is again putting their safety at risk to continue protecting an industry from competition.