

The Obscure Shipping Law Leaving New Englanders in the Cold

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Winter is upon New England, and with it an inevitable spike in heating bills. Fortunately, legislators in Washington can ease some of the financial pain. While members of Congress can't control the weather, they most certainly have the power to rid the country of costly laws. And one surefire means of keeping money in the pockets of the region's families would be to scrap an obscure provision called the Jones Act.

Passed more than 98 years ago, the Jones Act mandates that the transportation of goods between two U.S. ports be performed by vessels that are U.S.-flagged, U.S.-owned, U.S.-crewed, and U.S.-built. Meeting these conditions isn't cheap. It is commonly estimated that oceangoing commercial vessels built in the United States are 3-5 times costlier than their foreign-built counterparts. And according to the U.S. government they are nearly three times more expensive to operate too.

All of this translates into higher transportation costs and higher prices for consumers.

But sometimes ships aren't available at any price because they simply don't exist. Such is the case with liquefied natural gas (LNG) carriers that transport the primary energy source relied upon by more than half of Massachusetts' households to heat their homes. Almost unbelievably, there is not a single ship that complies with the Jones Act's requirements. At the same time the United States has emerged as one of the world's largest exporters of LNG, none of it can be transported by ship to New England — or anywhere else in the country. Instead every LNG carrier that arrives is from a foreign port on international voyages not subject to Jones Act restrictions.

And don't expect this situation to change anytime soon. According to a government study the construction of an LNG carrier at a U.S. shipyard — something that hasn't happened since before 1980 — would cost anywhere from \$400 to \$675 million. That's 2-3 times more expensive than one built in South Korea. With LNG export opportunities abounding that make use of cheaper foreign-flagged and built ships, the economic case for building such a Jones Act-compliant ship is non-existent.

As a result, Americans will continue to import LNG, sometimes from great distances, that is more expensive than the domestic supply. In 2017 Massachusetts even imported some of its LNG from Russia, which is perhaps ironic given the law is often justified on national security grounds. Most of the state's LNG imports, however, come from Trinidad and Tobago.

This reliance on more expensive foreign LNG and the dearth of options for shipping it domestically has not gone unnoticed in New England state capitals. Even while many in Washington remain clueless regarding the Jones Act's impact — or even worse, actively cheerlead it — their counterparts in the region are sounding the alarm bell about the law.

A report released late last year by the Massachusetts state government, for example, noted that the lack of Jones Act qualified tankers "means a bigger price spike due to the need to import LNG from foreign ports." To ease the Jones Act's burden the report called for the state to work with federal officials to explore changes to the law that would facilitate the shipping of LNG from domestic sources. This follows on the heels of a joint statement released by several New England governors last August that similarly called for working with Congressional delegations to discuss Jones Act modifications to ensure timely LNG deliveries during the winter months.

Let's hope officials in Washington are receptive to such overtures from a very chilly region.

The Jones Act isn't serving average Americans, and — given the lack of even a single LNG carrier that complies with the law — it isn't even serving the maritime industry it was meant to strengthen. It's time to rid ourselves of this outdated measure. Frigid New Englanders are just one of the groups who would be grateful.

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