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White House Open to Use of Foreign Ships to Ease Fuel Crunch

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The Biden administration is open to waiving domestic shipping restrictions to allow foreign tankers to transport fuel to areas with shortages due to the Colonial Pipeline Co. outage, the White House said Wednesday.

The 101-year-old Jones Act requires that ships carrying goods between U.S. ports be built and flagged in the U.S. as well as crewed by American workers. White House Press Secretary Jen Psaki said the government would consider waiver requests, but stopped short of saying the administration would grant them.

“The Department of Homeland Security stands ready to review any temporary Jones Act waiver requests from companies that demonstrate there is not sufficient capacity on Jones Act-qualified vessels to carry fuel to the affected region,” Psaki said in a statement.

The Biden administration took the first step toward offering exemptions on Tuesday, when the U.S. Maritime Administration announced it was surveying vessels qualified to carry petroleum products between U.S. ports. Psaki said the agency had completed its review, which assessed routes around the Gulf of Mexico and up the Eastern Seaboard.

Waiving Jones Act requirements could allow foreign-flagged tankers to fill the supply gap left by the closed pipeline. It would take roughly six to seven days for a tanker to carry fuel from the Gulf Coast to New York Harbor.

It also could be a cheaper option for supplying the region by ship, since U.S.-flagged tankers typically cost roughly \$5 per barrel more to rent compared to their foreign counterparts. The cost deterrent could explain why many traders are holding out for waivers instead of rushing to secure Jones Act-compliant ships just yet to send fuel to the East Coast, according to market participants.

Waiver Options

The decision to waive the Jones Act rests with the Homeland Security department. The Biden administration could issue a temporary general waiver permitting an array of foreign tankers to carry gasoline from Gulf Coast refineries to the East Coast. It also could issue specific waivers to individual ships on a case-by-case basis.

The administration also could choose not to act, especially if Colonial Pipeline will be substantially online by the weekend, as planned.

In that scenario, “by the time waived vessels finish the trip from the Gulf Coast to East Coast ports, the pipeline would likely be operational,” Height Capital Markets said in a research note for clients.

The American Maritime Partnership, a group that represents U.S.-flagged ship owners and has opposed efforts to scale back Jones Act protections, indicated it is open to case-by-case waivers.

“The American Maritime Partnership does not object to a targeted approach to issuing waivers when there is a legitimate need and when such action does not reward foreign maritime operators who would game the system at the expense of American jobs and national security,” Mike Roberts, the group’s president, said in a statement.

There are nearly 60 oceangoing tankers in the U.S. fleet of Jones Act-compliant vessels, according to data from the Maritime Administration and analysis by the Congressional Research Service. However, some are used to haul chemicals and others serve Alaska and the West Coast and would be of little use in the current crisis.

That leaves about 44 eligible tankers, but only a subset would actually be uncontracted and available, plus close to supplies in the Gulf Coast, said Colin Grabow, a policy analyst with the Cato Institute.

“There are a lot of boxes that have to be checked,” Grabow said.

Presidents of both parties have temporarily lifted U.S. ship requirements to combat fuel shortages after major storms. Targeted waivers have also been issued in specific circumstances, for instance, including a Russian ice-class tanker to deliver fuel to Nome, Alaska, in 2011.

Some waivers have been issued but then never employed. For instance, after the Deepwater Horizon disaster in 2010, the government moved to allow foreign oil-skimming vessels to be deployed near Gulf Coast states, but crude stayed far enough from shore that the exemption wasn’t used.