



## Why Alaskans Can't Get Alaskan Natural Gas

Eric Boehm

January 28, 2020

A plan to tap reserves on the far-flung northern coast of Alaska is expected to produce about 80 million tons of liquid natural gas (LNG) over the next 20 years—but thanks to a protectionist shipping law, it's likely that Americans won't have access to a single drop.

There are no pipelines serving the Arctic coast of Alaska, where a joint effort by ExxonMobil and Qilak LNG, an Alaska-based subsidiary of a Dubai-based energy firm, will be extracting the gas. Instead, the companies plan to use ships to get LNG to market.

That's where the Jones Act comes into play. Passed nearly a century ago to protect U.S. shipbuilders, the law requires that ships carrying goods from one American port to another must be American-built, must be American-flagged, and must have a crew that's at least 75 percent American. Right now, no icebreaking, LNG-carrying freighters in the entire world meet the Jones Act's archaic requirements. As a result, it will be perfectly legal for ships from other countries to pick up liquid natural gas from the new production facility in northern Alaska—as long as they don't stop at any other American ports to unload.

There's nothing wrong with exporting energy, of course, but it's ridiculous to cut off Alaskans from the resources found in their own backyards. Indeed, the Jones Act jacks up the price of almost everything in Alaska, because it artificially inflates the cost of shipping—the American-built ships mandated by the Jones Act are between three and eight times as expensive as foreign-built vessels, according to a 2017 report from the Congressional Research Service.

That's why, despite a wealth of energy resources in their state, Alaskans pay higher-than-average energy prices. The state's largest city, Anchorage, is the 21st most expensive city in the U.S. by cost of living.

The Jones Act "creates large cost inefficiencies by protecting the shipbuilding industry—a tiny economic sector in the U.S.—at the expense of other U.S. industries with enormous economic potential," researchers for the Organisation for Economic Co-operation and Development concluded in a report released earlier this year. Abolishing the Jones Act, the group found, would lower the cost of shipping between U.S. ports by as much as 50 percent.

The Jones Act is still on the books because of old-fashioned protectionism. "The average Alaskan may only be vaguely aware of the law and its costs," says Colin Grabow, a policy analyst with the Cato Institute. "But rest assured maritime workers and union members," who

personally benefit from the requirements, "maintain a much keener interest and vote accordingly."