LEGISLATIVE COMMITTEE MINUTES

SB102

Bill as Introduced

SB 102 - AS INTRODUCED

2023 SESSION

23-0822
07/04

SENATE BILL ***102***

AN ACT relative to the Jones Act's effect on New Hampshire's heating and energy fuel market.

SPONSORS: Sen. Murphy, Dist 16; Rep. Polozov, Merr. 10

COMMITTEE: Commerce

ANALYSIS

This bill requires the department of energy to submit a report to the legislature on the impact of the Jones Act on New Hampshire's heating and energy fuel market.

Explanation: Matter added to current law appears in ***bold italics.***
Matter removed from current law appears [~~in brackets and struckthrough.~~]
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

SB 102 - AS INTRODUCED

23-0822
07/04

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty Three

AN ACT relative to the Jones Act's effect on New Hampshire's heating and energy fuel market.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 Findings. The general court finds:

I. The Merchant Marine Act of 1920, also known as the Jones Act, forbids shipping between US ports except in ships built by and crewed by citizens of the United States, in shipyards located therein; and

II. The Act provides that the Federal Department of Homeland Security may suspend the Act in the interest of national defense; and

III. There is currently only one shipyard in the United States that builds commercial cargo ships; and

IV. The United States produces less than 10 cargo ships per year, while China alone produces over 1,000 cargo ships per year, and

V. Out of 44,000 commercial ships worldwide, less than 200 meet the requirements of the Merchant Marine Act of 1920; and

VI. The act has been suspended in recent years in order to allow deliveries of oil, gasoline, and natural gas to Alaska, Florida, New Orleans, and Puerto Rico; and

VII. New England lacks sufficient pipeline capacity to transport necessary supplies of oil, diesel, or natural gas; and

VIII. The ongoing conflict in Ukraine has disrupted energy markets worldwide; and

IX. New England's citizens are currently paying unprecedented prices for energy and heating oil; and

X. The climate in New England is such that access to heat and energy is a matter of life and death.

2 New Section; Department of Energy; Jones Act Report. Amend RSA 12-P by inserting after section 15 the following new section:

12-P:16 Jones Act Report. The department of energy shall submit a report to the legislature on the estimated impact of the Merchant Marine Act of 1920, also known as the Jones Act, on New Hampshire's heating fuel and energy market. The report shall include the department's findings and any recommendations for proposed legislation to the president of the senate, the speaker of the house of representatives, the senate clerk, the house clerk, the governor, and the state library on or before November 1, 2023.

3 Repeal. RSA 12-P:16, relative to the Jones Act report, is repealed.

4 Effective Date.

I. Section 3 of this act shall take effect November 1, 2023.

II. The remainder of this act shall take effect upon its passage.

SB 102 - AS AMENDED BY THE SENATE

01/26/2023 0127s

2023 SESSION

23-0822
07/04

SENATE BILL ***102***

AN ACT relative to the Jones Act's effect on New Hampshire's heating and energy fuel market.

SPONSORS: Sen. Murphy, Dist 16; Rep. Polozov, Merr. 10

COMMITTEE: Commerce

ANALYSIS

This bill requires the department of energy to submit a report to the legislature on the impact of the Jones Act on New Hampshire's heating and energy fuel market.

Explanation: Matter added to current law appears in ***bold italics.***
Matter removed from current law appears [~~in brackets and struckthrough.~~]
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty Three

AN ACT relative to the Jones Act's effect on New Hampshire's heating and energy fuel market.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 Findings. The general court finds:

I. The Merchant Marine Act of 1920, also known as the Jones Act, forbids shipping between US ports except in ships built by and crewed by citizens of the United States, in shipyards located therein; and

II. The Act provides that the Federal Department of Homeland Security may suspend the Act in the interest of national defense; and

III. There is currently only one shipyard in the United States that builds commercial cargo ships; and

IV. The United States produces less than 10 cargo ships per year, while China alone produces over 1,000 cargo ships per year, and

V. Out of 44,000 commercial ships worldwide, less than 200 meet the requirements of the Merchant Marine Act of 1920; and

VI. The act has been suspended in recent years in order to allow deliveries of oil, gasoline, and natural gas to Alaska, Florida, New Orleans, and Puerto Rico; and

VII. New England lacks sufficient pipeline capacity to transport necessary supplies of oil, diesel, or natural gas; and

VIII. The ongoing conflict in Ukraine has disrupted energy markets worldwide; and

IX. New England's citizens are currently paying unprecedented prices for energy and heating oil; and

X. The climate in New England is such that access to heat and energy is a matter of life and death.

2 New Section; Department of Energy; Jones Act Report. Amend RSA 12-P by inserting after section 15 the following new section:

12-P:16 Jones Act Report. The department of energy shall submit a report to the legislature on the estimated impact of the Merchant Marine Act of 1920, also known as the Jones Act, on New Hampshire's heating fuel and energy market. The report shall include the department's findings and any recommendations for proposed legislation to the president of the senate, the speaker of the house of representatives, the senate clerk, the house clerk, the governor, and the state library on or before June 1, 2024.

3 Repeal. RSA 12-P:16, relative to the Jones Act report, is repealed.

4 Effective Date.

I. Section 3 of this act shall take effect June 1, 2024.

II. The remainder of this act shall take effect upon its passage.

Amendments

Commerce
January 24, 2023
2023-0127s
07/05

Amendment to SB 102

Amend the bill by replacing section 2 with the following:

2 New Section; Department of Energy; Jones Act Report. Amend RSA 12-P by inserting after section 15 the following new section:

12-P:16 Jones Act Report. The department of energy shall submit a report to the legislature on the estimated impact of the Merchant Marine Act of 1920, also known as the Jones Act, on New Hampshire's heating fuel and energy market. The report shall include the department's findings and any recommendations for proposed legislation to the president of the senate, the speaker of the house of representatives, the senate clerk, the house clerk, the governor, and the state library on or before June 1, 2024.

Amend the bill by replacing section 4 with the following:

4 Effective Date.

I. Section 3 of this act shall take effect June 1, 2024.

II. The remainder of this act shall take effect upon its passage.

Committee Minutes

SENATE CALENDAR NOTICE
Commerce

Sen Bill Gannon, Chair
Sen Denise Ricciardi, Vice Chair
Sen Daniel Innis, Member
Sen Donna Soucy, Member
Sen Shannon Chandley, Member

Date: January 19, 2023

HEARINGS

Tuesday	01/24/2023
(Day)	(Date)

Commerce	State House 100	9:00 a.m.
(Name of Committee)	(Place)	(Time)

9:00 a.m.	**SB 97-FN**	relative to the use of animals in product testing.
9:15 a.m.	**SB 98-FN**	relative to delinquent payment of accounts by on premises and off premises licensees.
9:30 a.m.	**SB 100**	relative to the payment of salaried employees.
9:45 a.m.	**SB 102**	relative to the Jones Act's effect on New Hampshire's heating and energy fuel market.
10:00 a.m.	**SB 99**	relative to the responsibilities of insurers in conducting reviews of the operations of administrators.
10:15 a.m.	**SB 101**	relative to penalties for violations of manufactured housing park sales requirements.

EXECUTIVE SESSION MAY FOLLOW

Sponsors:

SB 97-FN			
Sen. Watters	Sen. Soucy	Sen. Bradley	Sen. Altschiller
Sen. Chandley	Rep. Beaulieu	Rep. Burroughs	Rep. Read
SB 98-FN			
Sen. Murphy	Rep. Potucek		
SB 100			
Sen. Murphy			
SB 102			
Sen. Murphy	Rep. Polozov		
SB 99			
Sen. Ricciardi	Sen. Gannon	Rep. Hunt	
SB 101			
Sen. Avard	Sen. Carson		

Aaron Jones 271-2609

Bill M. Gannon
Chairman

Senate Commerce Committee

Aaron Jones 271-2609

SB 102, relative to the Jones Act's effect on New Hampshire's heating and energy fuel market.

Hearing Date: January 24, 2023

Time Opened: 9:45 a.m. **Time Closed:** 10:05 a.m.

Members of the Committee Present: Senators Gannon, Ricciardi, Innis and Chandley

Members of the Committee Absent : Senator Soucy

Bill Analysis: This bill requires the department of energy to submit a report to the legislature on the impact of the Jones Act on New Hampshire's heating and energy fuel market.

Sponsors:
Sen. Murphy Rep. Polozov

Who supports the bill: Senator Keith Murphy, Bill Alleman, Bob Sculley (NH Motor Transport Association)

Who opposes the bill: No one

Who is neutral on the bill: Joshua Elliott (NH Department of Energy)

Summary of testimony presented in support:

Senator Keith Murphy

- Since the 1920s, the federal government has strictly regulated domestic shipping from port to port. During this time, the U.S. had been a premier shipbuilder with at least 1,000 shipyards producing vessels.
- Under the Jones Act, only ships built with American labor and crewed with American sailors are permitted to ship domestically.
- Currently, there are three shipbuilders in the U.S., and two of them are focused on repairs. Almost every ship that does qualify for the Jones Act is either on coastal waters or a tugboat, and less than 100 cargo ships qualify to ship internationally.

- When this bill was filed, Senator Murphy said the cost of heating oil had been a major concern.
- This bill asked the NH Department of Energy to generate a report on the cost of the Jones Act on heating oil and energy prices in general.
- Supply would be increased, and prices would be lowered if cargo vessels could come into Boston, Portsmouth, or Portland from other U.S. ports.
- The President can waive the Jones Act, and it has been done during previous emergencies.
- According to Captain Dick Holt, **Senator Gannon** said there are 120 coastal barges, 65 tankers, and 195 barrels voyaging into New England. He wondered if the issue were about domestic ships or if it were about accepting non-U.S. ships and sailors.
    - **Senator Murphy** responded that the Jones Act allows international vessels to directly come into U.S. ports from other countries. A vessel, however, could not stop in Newark and go to Boston because only domestic ships are allowed to do that. Essentially, every international cargo ship is on a one-way trip.
- **Senator Ricciardi** asked if this bill were asking for information to see if it were feasible to waive the Jones Act to reduce energy costs. In 2022, for example, Puerto Rico received a waiver due to a hurricane.
    - **Senator Murphy** said they are not asking for a waiver because they do not have the power to do so; instead, it is looking for a number to potentially justify getting a waiver.
- **Senator Chandley** asked if she were wrong in assuming that there had been a defense component to the Jones Act, which could be why it has continued to be enforced.
    - **Senator Murphy** replied that the Merchant Marine had been a component of national defense. In the 1920s, the ability to move goods and services across to Europe was viewed as critical. Presently, China has generated over 100,000 cargo ships; whereas, the U.S. has produced virtually none. Senator Murphy wanted to see shipbuilding and manufacturing back in the U.S.

Bob Sculley, President, NH Motor Transport Association

- Under the Jones Act, fuel cannot be brought up from the Gulf Coast to New England.
- A waiver could be issued for the Jones Act; however, Mr. Sculley believed it would need to be changed by Congress to help distribute fuel, stock reserves, and lower costs.
- Making changes to the Jones Act has been challenging; however, Senator Jeanne Shaheen and Senator Angus King have been working on it.
- This bill would not change the Jones Act; instead, it would be looking for data.

- **Senator Innis** asked how this would impact the trucking or rail industry in the region. Eimskip ships from Iceland to Portland, and those containers might be moved by truck or train to New York. This might go away if they were able to stop at other ports.
    - **Mr. Sculley** said all transports would go to the Newington-Boston area if everything went well for NH. Irving and Sprague are two large wholesalers in that area.
- **Senator Innis** asked if he were aware of the C3 facility in Portsmouth. Currently, they are receiving propane by rail, and it is exported, so he wondered if it would have an impact on them.
    - **Mr. Sculley** said this applied mainly to the liquid product from oil.

Summary of testimony presented in opposition: None

Neutral Information Presented:

Joshua Elliott, Director of Policy and Programs, NH Department of Energy

- Mr. Elliott distributed a letter that had been sent from all six New England governors to the U.S. Secretary of Energy to request the Jones Act be waived for liquified natural gas (LNG) imports into region.
- The only type of LNG that can come into the region is shipped by tanker. If it is coming into the U.S., it must come from a Jones Act compliant vessel or it must be foreign flagged to be docked and unloaded in the New England region.
- During wintertime, the natural gas supply is constrained coming into New England as a result of pipeline capacity. In times of increased demand, natural gas distribution utilities like Unitil or Liberty have firm contracts to receive supply from those pipelines. Natural gas generators can purchase any excess capacity off pipelines. If plants are unable to run, other carbon extensive generation does go online, such as the coal plant in Merrimack.
- If New England cannot access additional pipeline capacity, LNG tankers are able to come into Boston to backfill the region with extra natural gas to help bring prices down and allow other generation to come online.
- Major geopolitical events, such as the war in Ukraine, have seen tankers being sent to Europe to support their stockpiles as well as feed their distribution.
- Typically, foreign gas comes from Trinidad and Tobago.
- Currently, there are no vessels or tanks that are Jones Act compliant, and none have been built since 1980. However, there are 16 that have been built that could be purchased by a U.S. carrier and re-flagged or re-crewed to become compliant with the Jones Act. 6 of them have been flagged for the Marshall Islands, 2 have been flagged in Malawi, and 3 have been flagged in the Bahamas.

- It has been impossible for any LNG to come from Texas or the Gulf Coast; instead, it has all came from overseas sources.
- The Department needed funds to hire a consultant because they did not feel they had any in-house Jones Act compliant experts. A Request for Proposal (RFP) to hire a consultant would need to be submitted, appropriate time for someone to bid on the contract would need to be allowed, and then it would need to go through the Governor and Executive Council process.
- The Department requested the report deadline be changed to the end of June 2024 to allow for additional time.
- Mr. Elliott concluded that the Department would be willing to work with the prime sponsor to fix these issues.

AJ
Date Hearing Report completed: January 25, 2023

Speakers

Senate Commerce Committee
SIGN-IN SHEET

Date: 01/24/2023 **Time:** 9:45 a.m.

SB 102 An ACT relative to the Jones Act's effect on New Hampshire's heating and energy fuel market.

Name/Representing *(please print neatly)*

Joshua W Elliott	Support ☐	Oppose ☒	Speaking?	Yes ☒ No ☐
Bob Scully	Support ☑	Oppose ☐	Speaking?	Yes ☑ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐
	Support ☐	Oppose ☐	Speaking?	Yes ☐ No ☐

Senate Remote Testify

Commerce Committee Testify List for Bill SB102 on 2023-01-24

Support: 1 Oppose: 0

Name	Title	Representing	Position
Alleman, Bill	A Member of the Public	Myself	Support

Testimony

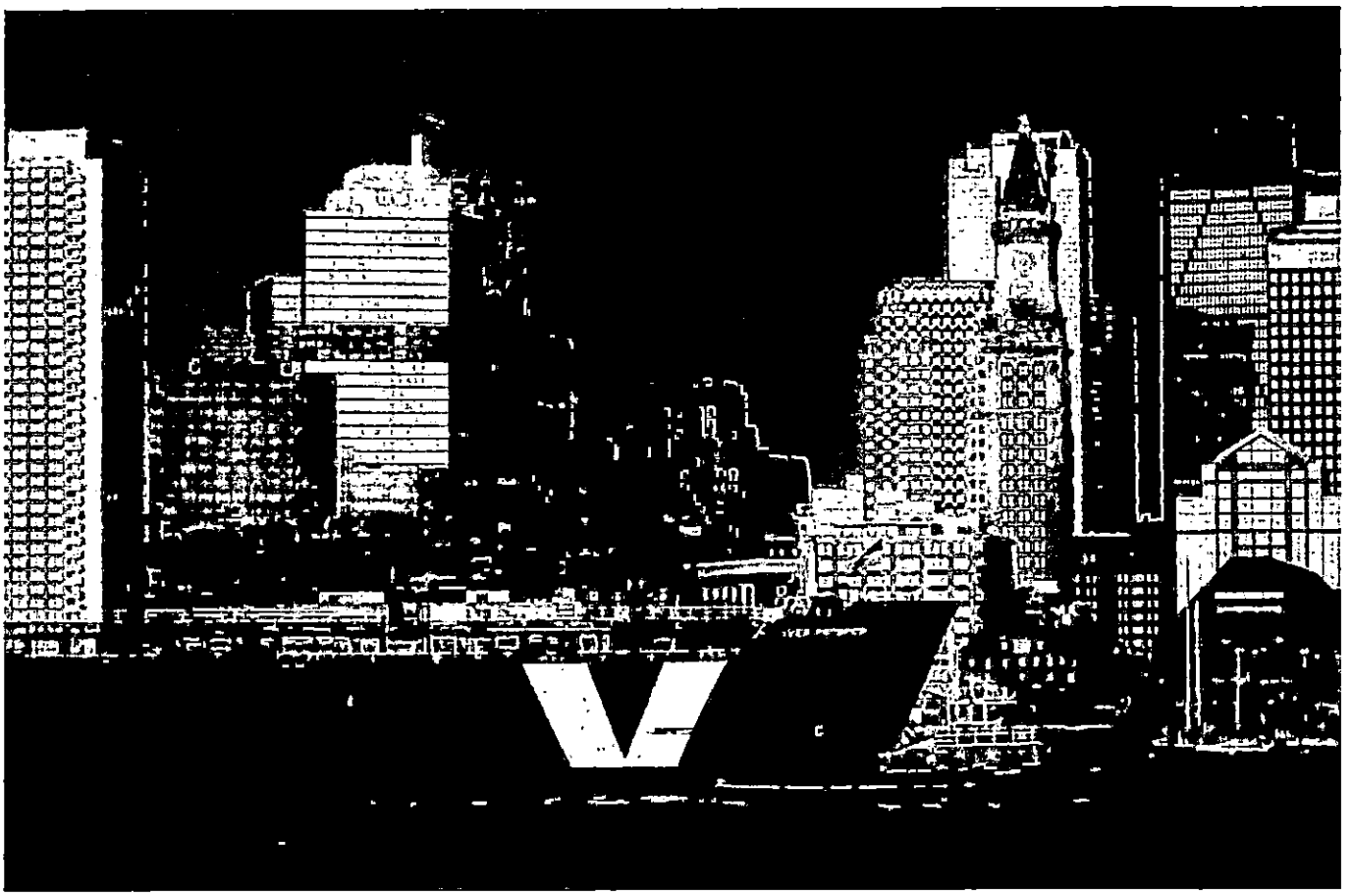
Complete Document

Can Be Viewed

In Bill Folder

A century-old law poses problems for New England's energy supply this winter and there's a push to find a way around it

By **Jim Puzzanghera** Globe Staff, Updated December 9, 2022, 6:37 p.m.



A tanker on Boston harbor moved past the city skyline in October. MICHAEL DWYER/ASSOCIATED PRESS

WASHINGTON — A century-old federal law designed to protect the US maritime industry is having a chilling effect in New England in the wake of the Ukraine war, helping drive up home heating oil prices and threatening to cause supply shortages that

Show 55 comments

©2022 Boston Globe Media Partners, LLC

Complete Document

Can Be Viewed

In Bill Folder

VALEPORT Bathy2 The latest evolution in bathymetric measurement

MARINELINK

Monday, January 23, 2023

SUBSCRIBE

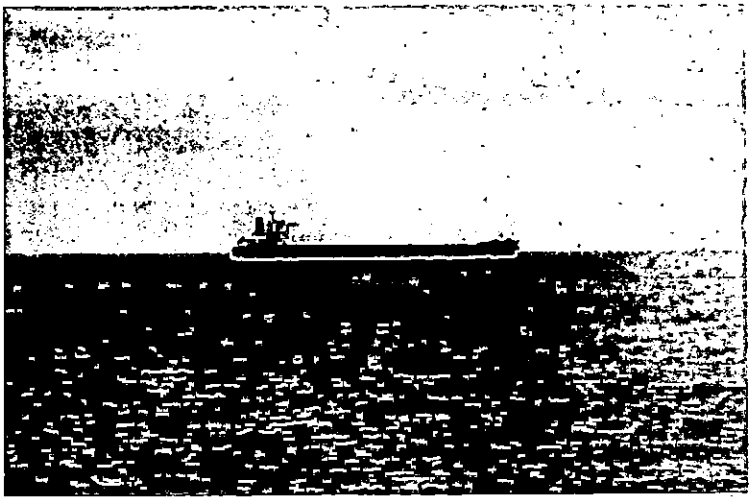
Search for...

Jones Act Waiver Mess



Charlie Papavizas,
Contributor
Constantine (Charlie) Papavizas is a partner in the international law firm of...

December 7, 2022

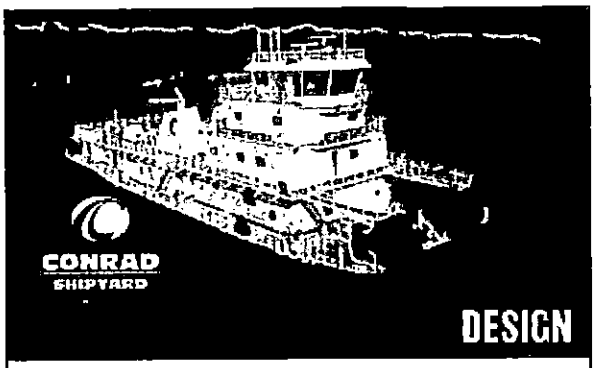


© hanohiki / Adobe Stock

Potential energy shortages in the U.S. northeast

SHARES

Tailored Solutions



FEATURED VIDEO



Viega Eliminates Hot Work with Faster, Consistent Connections for Marine Pipe Fitting

CMA CGM Argentina: Largest Containership to Call a Japanese Port

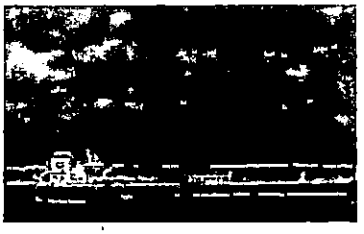


The CMA CGM Group said this week it had received the arrival of the CMA CGM Argentina containership as its largest vessel...

Trending News

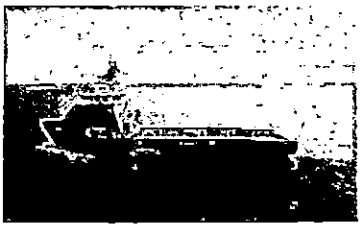
03 Jan 2023

Chevron to Send 500,000-barrel Cargo of Venezuelan Oil to Its Pascagoula Refinery



19 Jan 2023

Interview: Tim M. Clerc, VP Engineering, Seacor Marine



SHARES



Convention Center, Houston, Texas, Electric & Hybrid Marine Expo North America is the place to discover the latest US maritime policies for

Jobs

Search for Maritim

100T Boat Captain - Crater Lake Tours

• CRATER LAKE, Oregon, United States

Post Resume

Employers Post Jobs

CATO INSTITUTE® POLICY ANALYSIS

The Jones Act: A Burden America Can No Longer Bear

How an archaic, burdensome law has been able to withstand scrutiny and persist for almost a century.

JUNE 28, 2018 • POLICY ANALYSIS

By **Colin Grabow**, **Inu Manak**, and **Daniel J. Ikenson**

For nearly 100 years, a federal law known as the Jones Act has restricted water transportation of cargo between U.S. ports to ships that are U.S.-owned, U.S.-crewed, U.S.-registered, and U.S.-built. Justified on national security grounds as a means to bolster the U.S. maritime industry, the unsurprising result of this law has been to impose significant costs on the U.S. economy while providing few of the promised benefits.

This paper provides an overview of the Jones Act by examining its history and the various burdens it imposes on consumers and businesses alike. While the law's most direct consequence is to raise transportation costs, which are passed down through supply chains and ultimately reflected in higher retail prices, it generates enormous collateral damage through excessive wear and tear on the country's infrastructure, time wasted in traffic congestion, and the accumulated health and environmental toll caused by unnecessary carbon emissions and hazardous material spills from trucks and trains. Meanwhile, closer scrutiny finds the law's national security justification to be unmoored from modern military and technological realities.

This paper examines how such an archaic, burdensome law has been able to withstand scrutiny and persist for almost a century. It turns out that, as in so many other cases of rent seeking, there is an asymmetry of motivations among those who benefit from the Jones Act's protections and the vastly greater number who bear its costs. The protected domestic shipbuilding industry has a captive market from which it benefits handsomely and seeks to preserve by promoting fallacious arguments about the law's necessity to national security, while the vast costs are dispersed across the economy in the form of higher prices, inefficiencies, and forgone opportunities that few people can even tie to the cause. That so many federal agencies and congressional committees have at least partial jurisdiction over different facets of the Jones Act also helps to explain its longevity. Lastly, this paper presents a series of options for reforming this archaic law and reducing its costly burdens.

Introduction

The Merchant Marine Act of 1920 has been a fixture of U.S. law and an imposition on the U.S. economy for almost 100 years. Better known as the "Jones Act," the law was presented as a plan to ensure adequate domestic shipbuilding capacity and a ready supply of merchant mariners to be available in times of war or other national emergencies.[1] The law aims to achieve those objectives by restricting domestic shipping services to vessels that are U.S.-built, U.S.-owned, U.S.-flagged, and U.S.-staffed. A century of evidence supports the conclusion that the Jones Act has failed in its main objectives while imposing substantial economic costs.

As a result of these restrictions, the U.S. economy endures artificially inflated shipping costs because the transport of cargo between U.S. ports and within the country's vast inland waterways is off-limits to foreign competition and domestic shipping firms must pay vastly higher prices for the ships they use. Although higher shipping rates are the most obvious cost of the Jones Act, they are merely the first in a cascade of adverse consequences unleashed by the law's restrictions.

Higher prices for waterborne transportation drive down demand for shipping services. When businesses move less cargo by water, shipping companies purchase fewer vessels. Reduced demand means that producers build fewer ships and, accordingly, there are fewer employment opportunities for merchant mariners. Meanwhile, artificially inflated waterborne shipping rates increase demand for alternative forms of transportation, including trucking, rail, and pipeline services, raising those modes' rates and inflating business costs throughout the supply chain. Transportation expenses — incurred to move raw materials and intermediate goods to the next stage in the production process and final product to retailers and end users — comprise a significant portion of the cost of goods sold. Elevated transportation costs affect nearly every business in nearly every industry, rippling through supply chains, squeezing profits, curtailing business investment, disadvantaging U.S. companies relative to

Higher shipping rates are the most obvious cost of the Jones Act, but they are merely the first in a cascade of adverse consequences unleashed by the law's restrictions.

their foreign competitors, and depriving U.S. households of savings to spend elsewhere in the economy or to invest.

Meanwhile, heightened reliance on trucks and freight trains not only increases infrastructure and maintenance costs from wear and tear on roads, bridges, and rail, but also generates greater environmental costs. Surface transportation produces more carbon emissions than ships do, and its more intensive use increases the likelihood of highway accidents and train derailments involving hazardous materials. Relatedly, time wasted in growing traffic congestion — especially on highways running parallel to U.S. sea lanes — generates enormous opportunity costs from lost wages and lost output. Significant opportunity costs also can be observed in the loss of revenues experienced when, for example, a hog farmer in North Carolina purchases corn feed from Canada instead of from a farmer in Iowa because exorbitant delivery costs make the latter's price uncompetitive. But even though some foreign suppliers benefit by happenstance in this manner, the Jones Act has been a persistent irritant to some of our most important trade partners, serving to prevent better access for U.S. exporters in their markets.

Despite these considerable costs and the absence of any measurable benefits, the Jones Act has persisted for nearly 100 years. Why? The answer is complex, but it boils down to the same causes that explain the persistence of rent-seeking behavior more generally. The small number of beneficiaries, which primarily include domestic shipyards and some labor unions, are more powerfully motivated to preserve the status quo than are the far more numerous adversely affected interests in seeking its repeal.

> C'mon people **pic.twitter.com/14p0l6QRrp**
>
> — Colin Grabow (@cpgrabow) **February 1, 2019**

Supporters of the status quo claim that those costs are justified by the benefits associated with the Jones Act, which include — most importantly — preservation of a robust, competitive domestic shipbuilding industry to undergird U.S. national security. But such claims are farcical. Over the years, U.S. shipbuilding capacity has atrophied, the active fleet has aged — in some cases into obsolescence — and the number of merchant mariners has dwindled.

Nevertheless, there is a "bootleggers and Baptists" element in play that adds another layer of complexity to repeal efforts. ("Bootleggers and Baptists" refers to an economic theory where two groups with opposing interests both want the same regulatory outcome.[2]) Jones Act supporters have been successful at cloaking their scheme in national security arguments. When all else fails, and it becomes obvious that the Jones Act's restrictions significantly burden the economy in a variety of perverse ways, proponents lean on a national security rationale that is entirely without merit. Jones Act opponents — even those advocating limited reforms — are portrayed as blind to such considerations, which is evidence enough for some policymakers to tune out arguments based on logic and facts.

Related read: For Lower Gas Prices, Scrap the Jones Act

The Jones Act has wreaked havoc on the U.S. economy. After nearly a century of enduring its burdens, it is time to repeal the law. Of course, repeal will not be easy because after 100 years, incumbent interests, regulators, and politicians get used to the privileges of a system that benefits a concentrated few. In addition to untangling these political alliances, repeal efforts will have to contend with pushback from agencies and committees with oversight authority that have institutional interest in protecting their jurisdictional turf. No fewer than 16 congressional committees and 6 federal agencies have some form of oversight authority.

The Jones Act has wreaked havoc on the U.S. economy. After nearly a century of enduring its burdens, it is time to repeal the law.

Short of full repeal, meaningful incremental progress toward eventual repeal of the act would include relaxation of the U.S.-build requirement so that the economy could at least benefit from the availability of a larger fleet of safer, more efficient, higher-quality vessels. Additionally, permanent Jones Act waivers for Alaska, Hawaii, Puerto Rico, and other noncontiguous U.S. territories, where the economies are disproportionately dependent upon waterborne transportation, would mark progress. Finally, if those reforms continue to prove elusive, another meaningful incremental reform would be to ensure that the process of obtaining Jones Act waivers is made more liberal, transparent, and predictable.

According to the World Economic Forum, the Jones Act provides the world's most restrictive example of global cabotage laws.

Interestingly (or some would say "inevitably" in the United States, where foreign competition in cabotage services is restricted), only 2 percent of U.S. freight travels by sea. In the European Union, where cabotage among the member states is permitted, the corresponding figure is 40 percent.[15] In Australia, where vessels need not be built domestically to participate in cabotage services, coastal shipping accounts for 15 percent of domestic freight.[16] Meanwhile, after relaxing its cabotage restrictions in 1994, New Zealand experienced a decrease of approximately 20–25 percent in coastal freight rates over the subsequent six years.[17]

The OECD's Services Trade Restrictiveness Index measures and ranks various aspects of countries' services trade restrictions.[18] The index assigns values between 0 (least restrictive) and 1 (most restrictive). Figure 1 shows the Services Trade Restrictiveness Index score for restrictions on foreign entry regarding maritime freight transport services for 29 OECD countries and 9 non-OECD countries in

2017. Figure 1 reveals that the United States is the third-most restrictive among all 38 countries and the most restrictive among OECD countries with respect to maritime freight services.

The aggregate measure accounts for more than just cabotage restrictions and factors in restrictions on owning or registering vessels under the national flag as well as restrictions on port-related services and cargo-sharing agreements. Domestic shipbuilding requirements are not factored into this measure, but the American-built requirement is a particularly onerous aspect of the Jones Act. Of 56 countries surveyed by the U.S. Maritime Administration, only Brazil, Egypt, Indonesia, Peru, Spain, and the United States have domestic-build requirements.[19]

Only 2 percent of American freight travels by sea. In the European Union, where cabotage among the member states is permitted, the corresponding figure is 40 percent.

Although geographic and other factors account for some of the differences observed in shipping capacity and rates, protectionist cabotage and inland waterway restrictions — as well as domestic-build and ownership requirements — explain a great deal of the divergences. Certainly, if U.S. commerce is to be burdened in perpetuity with these restrictions, there must be a strong public policy rationale for the Jones Act.

Whither the Fleet?

The U.S. shipping industry is the first casualty of the Jones Act. Of course, the primary objective of the law was to ensure a vibrant shipping industry as a pillar of U.S. national security. If vibrancy and fleet size were synonymous, Americans might sleep well knowing that the U.S. fleet consists of more than 40,000 vessels. However, we might choose to sleep with one eye open after learning that barges operating primarily on the Mississippi River alone account for 55 percent of that number.

In fact, nearly 9 of every 10 commercial vessels produced in U.S. shipyards since 2010 have been barges or tugboats.[20] Among oceangoing ships of at least 1,000 gross tons that transport cargo and meet Jones Act requirements, their numbers have declined from 193 to 99 since 2000, and only 78 of those 99 can be deemed militarily useful.[21] Even in their expressions of support for the Jones Act, government officials concede that the U.S. shipping industry and its associated ecosystem have been depleted. Appearing before Congress earlier this year, Maritime Administrator and retired rear admiral Mark H. Buzby testified that "over the last few decades, the U.S. maritime industry has suffered losses as companies, ships, and jobs moved overseas."[22]

Moran Portsmouth
Division of Moran Towing Corporation
34 Ceres Street
Portsmouth, NH 03801

Captain Richard Holt, Jr
Vice President & General Manager
Tel: 603-436-0556
Email: dickh@morantug.com

January 23, 2023

Good morning members of the New Hampshire Senate Commerce Committee. I am Captain Dick Holt Jr., Vice President and General Manager for Moran Towing of Portsmouth. Moran Towing is a family-owned maritime business that has operated in New Hampshire for generations. We are proud to employ 16 mariners of New Hampshire residents in a host of good-paying jobs that, thanks to the Jones Act, cannot be outsourced. I am testifying today in opposition to SB102, a bill relating to the Jones Act's effect on New Hampshire's heating and energy fuel market.

The Jones Act is the United States law requiring that cargo moved between U.S. ports be transported on vessels owned by U.S. companies, built in U.S. shipyards, and crewed by U.S. Mariners. The domestic maritime industry plays a vital role in the nation's supply chain, delivering everything from fuel to road salt to communities across the United States. The Jones Act has helped Moran Towing thrive for over 160 years, and we are not alone: New Hampshire's maritime industry employs thousands of people throughout the state, contributing over $230 million annually to the state economy.

American vessels, including coastal barges, continue to deliver fuel to New Hampshire and throughout New England. There are currently 120 coastal tank barges and 65 large tankers that carry as much as 195,000 barrels of product per voyage to New England. Over the last several years, during the winter months, the Port of New Hampshire at Portsmouth sees, on average, three vessel arrivals per week delivering home heating oil to New Hampshire residents. The U.S. Coast Guard has stated that roughly 80 percent of all of New England's home heating oil is delivered by water. In short, New Hampshire relies heavily on the U.S. maritime industry to keep its homes heated and its commerce moving.

We are concerned, then, that SB102 mischaracterizes the size of the U.S. maritime fleet. Nationwide there are over 40,000 U.S.-flag vessels in operation, all built in a number of American shipyards. The U.S. maritime industry employs more than 650,000 people and contributes more than $150 billion in economic input. Whereas SB102 portrays the Jones Act fleet as small and insubstantial, in truth the Jones Act industry represents companies that range in size from a few employees to a few thousand; from companies that have been in business for more than a century to new companies started by young and committed entrepreneurs; and from "mom and pop" businesses to publicly traded corporations. All of us are committed to the safety and sustainability of our operations. It should not be surprising that the Jones Act has the full support of U.S. maritime businesses from transportation and transportation service companies like mine, to shipyards, to maritime labor, and the U.S. military. It has bipartisan support in Congress and across state governments.

We understand the concern New Hampshire residents have over the price and availability of home heating oil, but it is erroneous to direct those concerns towards U.S. maritime. There are a host of more important factors impacting the cost of heating oil and the availability of vessels to deliver it. The ongoing war between Russia and Ukraine—and specifically the destruction of the Nord Stream pipeline—has increased demand for fuel in Europe, and increased its price by as much as five times what it is in the Gulf of Mexico, which in turn has

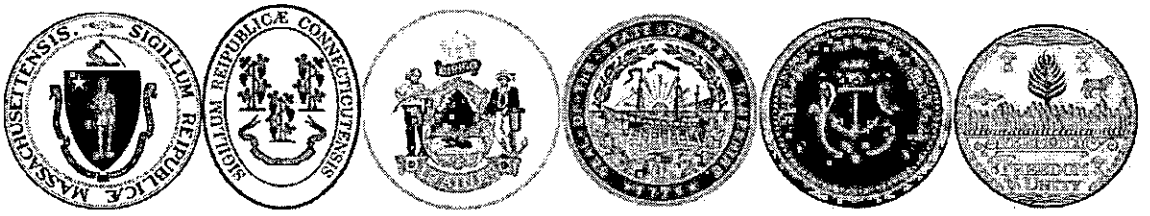
incentivized foreign shippers to deploy their available vessels to Europe to serve that more lucrative market. You cannot correct for this by waiving the Jones Act.
In fact, a study conducted by the Government Accountability Office found that Jones Act transportation alone adds approximately just one cent per gallon to the cost of fuel, and it is unlikely that foreign-flagged shippers would pass even that meager cost saving on to consumers.

The U.S. maritime industry has a long and honorable record of serving our fellow Americans. And Moran is proud to serve the people of New Hampshire as a front-line industry vital to its energy supply chain. Recent studies on the economic impact of the Jones Act have affirmed its importance to the nation. We believe a study that assesses its impact on New Hampshire would arrive at a similar conclusion. However, we are concerned that some interest groups might exploit the introduction of SB102 to create the perception of mounting opposition to the Jones Act. As such, we would like to work with Sen. Murphy and committee members before this measure moves forward.

Respectfully,

Captain Richard Holt, Jr.

Captain Richard Holt, Jr.



July 27, 2022

The Honorable Jennifer Granholm
U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

Dear Secretary Granholm,

We are writing you regarding the high and volatile global energy prices and specific implications in New England for this coming winter.

The Russian invasion of Ukraine has exacerbated the pricing of nearly all energy commodities which is directly impacting energy consumers in our respective states. The increase in global liquified natural gas (LNG) pricing has been particularly acute - while global petroleum prices increased by 50 percent over the last year, global LNG prices have increased by almost 300 percent. During winter months, when domestic natural gas capacity is constrained, New England relies on imported LNG to meet demand for both electricity generation and thermal usage. The region has invested in energy efficiency and pursued a variety of clean energy projects such as offshore wind and hydroelectricity that will reduce the region's reliance on LNG imported into New England. Some of these critical projects will not be in place for this upcoming winter. As a result, the anticipated pricing will have significant implications for our region's electric and natural gas customers and raises reliability concerns if the region suffers a severe winter.

We would request some immediate steps to mitigate the current energy situation.

- **Fuel Supplies to New England.** We appreciate that the Biden Administration has been working with European allies to expand fuel exports to Europe. A similar effort should be made for New England. The Jones Act, which restricts the types of ships that may transport products between US ports, effectively precludes all US exported LNG from being delivered into New England. The insecurity of global natural gas markets in 2022 exacerbates the long-standing ramifications of the restriction and undermines reliability. We request that the Biden Administration work with the New England states to alleviate the unique fuel challenges that the region faces, including beginning to explore the conditions under which it might be appropriate to suspend the Jones Act for the delivery of LNG for a portion or all of the winter of 2022-2023.
- **Strategic Energy Reserve.** Our region has long recognized that extreme winter events could strain our energy supplies and the Department of Energy (DOE) manages the

regional Northeast Home Heating Oil Reserve that could be used if heating oil supplies are severely disrupted. Since the reserve was established in 2000 the region has had a significant increase in natural gas consumption and the forecast is that electric load will significantly increase, especially in the winter months. Given this, our energy reserve system needs to be modernized given the rapidly changing resource mix in New England. As a result, we request that the DOE support the New England states in assessing how these reserves may be utilized this winter and consider the development of a new or modernized strategic energy reserve to protect against low probability weather events to ensure energy system reliability.

- **Coordination.** Finally, we request that the federal government and the New England states commence coordinating immediately to monitor the developments as winter approaches. While New England has existing programs to support system reliability, the combination of the Russian invasion with a severe cold winter would strain the reliability of the system. Further, the New England states are facing high energy prices and we must work across the federal government to address the funding needed to support our energy consumers. We should commence these discussions without delay.

While our immediate focus is on this upcoming winter, the ramifications of Russia's invasion and the realignment of natural gas supplies will have long-term global consequences and could have adverse impacts in New England. While our region has been building an energy strategy to reduce our reliance on imported fuels, we must accelerate those efforts. We would like to work with you on expanding on this energy strategy and building the critical infrastructure to support the plan.

Thank you for consideration of these requests.

Sincerely,

Charles D. Baker
Governor
State of Massachusetts

Ned Lamont
Governor
State of Connecticut

Janet T. Mills
Governor
State of Maine

Christopher T. Sununu
Governor
State of New Hampshire

Daniel J. McKee
Governor
State of Rhode Island

Philip B. Scott
Governor
State of Vermont

CC: Secretary Buttigieg
New England Congressional Delegation
Gordon van Welie, President and Chief Executive Officer of ISO New England Inc.

Voting Sheets

Senate Commerce Committee
EXECUTIVE SESSION RECORD
2023-2024 Session

Bill # SB 102

Hearing date: 1/24/23

Executive Session date: 1/24/23

Motion of: Amendment **Vote:** 5-0

Committee Member	Made by	Second	Yes	No
Sen. Gannon, Chair			✓	
Sen. Ricciardi, V-Chair			✓	
Sen. Innis		✓	✓	
Sen. Soucy	✓		✓	
Sen. Chandley			✓	

Motion of: OTP-A **Vote:** 5-0

Committee Member	Made by	Second	Yes	No
Sen. Gannon, Chair			✓	
Sen. Ricciardi, V-Chair	✓		✓	
Sen. Innis	✓		✓	
Sen. Soucy		✓	✓	
Sen. Chandley			✓	

Motion of: Consent **Vote:** 5-0

Committee Member	Made by	Second	Yes	No
Sen. Gannon, Chair			✓	
Sen. Ricciardi, V-Chair			✓	
Sen. Innis		✓	✓	
Sen. Soucy	✓		✓	
Sen. Chandley			✓	

Reported out by: Sen. Innis

Notes:

Committee Report

STATE OF NEW HAMPSHIRE

SENATE

REPORT OF THE COMMITTEE
FOR THE CONSENT CALENDAR

Wednesday, January 25, 2023

THE COMMITTEE ON Commerce

to which was referred **SB 102**

AN ACT relative to the Jones Act's effect on New Hampshire's heating and energy fuel market.

Having considered the same, the committee recommends that the Bill

OUGHT TO PASS WITH AMENDMENT

BY A VOTE OF: 5-0

AMENDMENT # 0127s

Senator Daniel Innis
For the Committee

In 1920, the Jones Act was put into place. The Act, designed to protect the US ocean shipping industry, imposed the requirement that any cargo vessel operating between US ports must be a ship that was constructed in America, and is domiciled in America. In some cases, the Jones Act may result in additional costs to shippers, and ultimately, to consumers. Further, the Act may increase energy costs to New Hampshire consumers due to a shortage of American made and domiciled ships that can carry certain types of fuel, Including liquefied natural gas. This bill would require the NH Department of Energy to submit a report on the quantitative impact of the Jones Act on energy prices in the state. At the request of the Department, the Committee Amendment would change the reporting deadline and its respective repeal to June 1, 2024.

Aaron Jones 271-2609

FOR THE CONSENT CALENDAR

COMMERCE

SB 102, relative to the Jones Act's effect on New Hampshire's heating and energy fuel market.
Ought to Pass with Amendment, Vote 5-0.
Senator Daniel Innis for the committee.

In 1920, the Jones Act was put into place. The Act, designed to protect the US ocean shipping industry, imposed the requirement that any cargo vessel operating between US ports must be a ship that was constructed in America, and is domiciled in America. In some cases, the Jones Act may result in additional costs to shippers, and ultimately, to consumers. Further, the Act may increase energy costs to New Hampshire consumers due to a shortage of American made and domiciled ships that can carry certain types of fuel, Including liquefied natural gas. This bill would require the NH Department of Energy to submit a report on the quantitative impact of the Jones Act on energy prices in the state. At the request of the Department, the Committee Amendment would change the reporting deadline and its respective repeal to June 1, 2024.

General Court of New Hampshire - Bill Status System

Docket of SB102

Docket Abbreviations

Bill Title: relative to the Jones Act's effect on New Hampshire's heating and energy fuel market.

Official Docket of **SB102.**:

Date	Body	Description
1/19/2023	S	**Introduced** 01/05/2023 and Referred to Commerce; **SJ 4**
1/19/2023	S	**Hearing:** 01/24/2023, Room 100, SH, 09:45 am; **SC 7**
1/25/2023	S	Committee Report: Ought to Pass with Amendment **#2023-0127s**, 01/26/2023; Vote 5-0; CC; **SC 7A**
1/26/2023	S	Committee Amendment **#2023-0127s**, AA, VV; 01/26/2023; **SJ 5**
1/26/2023	S	**Ought to Pass with Amendment** 2023-0127s, MA, VV; OT3rdg; 01/26/2023; **SJ 5**
3/20/2023	H	Introduced (in recess of) 03/16/2023 and referred to Commerce and Consumer Affairs
4/5/2023	H	Public Hearing: 04/12/2023 02:15 pm LOB 302-304
4/27/2023	H	Subcommittee Work Session: 05/03/2023 10:10 am LOB 302-304
5/3/2023	H	Executive Session: 05/10/2023 10:00 am LOB 302-304
5/25/2023	H	Committee Report: Inexpedient to Legislate 05/10/2023 (Vote 18-0; CC)
6/8/2023	H	Inexpedient to Legislate: MA VV 06/08/2023 **HJ 15**

NH House	NH Senate

Other Referrals

Senate Inventory Checklist for Archives

Bill Number: SB 107 **Senate Committee:** Commerce

Please include all documents in the order listed below and indicate the documents which have been included with an "X" beside

X Final docket found on Bill Status

Bill Hearing Documents: {Legislative Aides}

X Bill version as it came to the committee

X All Calendar Notices

X Hearing Sign-up sheet(s)

X Prepared testimony, presentations, & other submissions handed in at the public hearing

X Hearing Report

N/A Revised/Amended Fiscal Notes provided by the Senate Clerk's Office

Committee Action Documents: {Legislative Aides}

All amendments considered in committee (including those not adopted):

X - amendment # 01775 ___ - amendment # _____

___ - amendment # _____ ___ - amendment # _____

X Executive Session Sheet

X Committee Report

Floor Action Documents: {Clerk's Office}

All floor amendments considered by the body during session (only if they are offered to the senate):

___ - amendment # _____ ___ - amendment # _____

___ - amendment # _____ ___ - amendment # _____

Post Floor Action: (if applicable) {Clerk's Office}

___ Committee of Conference Report (if signed off by all members. Include any new language proposed by the committee of conference):

___ Enrolled Bill Amendment(s)

___ Governor's Veto Message

All available versions of the bill: {Clerk's Office}

___ as amended by the senate ___ as amended by the house

___ final version

Completed Committee Report File Delivered to the Senate Clerk's Office By:

Aaron Jones
Committee Aide

8/10/23
Date

Senate Clerk's Office _____