

Enact a Jones Act Exemption for Propane Shipments

Issue Summary: The National Propane Gas Association (NPGA) urges Congress to enact a waiver of the Jones Act for propane shipments between U.S. ports. Due to the cost of compliance, there are currently no Jones Act compliant propane cargo vessels, which dramatically hampers the ability of American companies to serve American customers with American propane. Rare but possible supply disruptions can amplify this limitation. Such a waiver would improve the energy security of American citizens.

Background: The Jones Act requires goods shipped between U.S. ports to be transported on ships built, owned, and operated by U.S. citizens or permanent residents. There are no ships capable of transporting propane between ports that meet this requirement.

America's propane industry serves approximately 50 million customers throughout the U. S., 7.8 million of whom use it to heat their homes. In recent years, the U.S. has become a net exporter of propane, shipping significant volumes of domestically-produced propane around the world. America transports these waterborne propane shipments on very large gas container ships, often contracted for terms as long as ten years. Unfortunately, none of these container ships are Jones Act compliant, preventing domestic port-to-port shipments of American Propane.

The U.S. has undergone an energy production revolution in recent years. Nevertheless, the propane delivery infrastructure of pipelines, railroads, and long-haul trucks faces significant challenges in serving customers during peak conditions. The Jones Act only serves to reduce the options available to propane shippers for serving American customers.

Winter 2017/2018 is an excellent case study of these challenges that supports a waiver from the Jones Act for propane shipments. Extended cold weather caused demand to soar, and heating degree days were more frequent than any winter since 2014. Indeed, there were nearly 20% higher heating degree days than the previous two winters. Such high demand stresses the delivery infrastructure, leading the Federal Motor Carrier Safety Administration to issue regional waivers from driver hours of service regulations for an unprecedented duration. A significant bridge washout in Canada also caused delays in rail deliveries into New England, increasing the vulnerability of American propane customers.

Propane marketers in New England serve customers via pipeline from the Marcellus Shale region and the U.S. Gulf Coast; rail imports from Canada; and waterborne imports from foreign nations. In prior years each of these supply lines has experienced outages, sometimes simultaneously, which causes dramatic yet unnecessary supply disruptions risking shortages to consumers in winter. This past winter, American customers had to wait for delayed shipments from Norway, Sweden, and Malta, whereas a Jones Act waiver would have allowed them to be served much more efficiently by U.S. sources. Indeed, there was a cargo of propane in Puerto Rico, but absent a Jones Act waiver, shipping it would have been illegal. During these unpredictable occurrences, shipping American propane from a U.S. port to New England would prove to be the most desirable form of transportation. However, the Jones Act's shipping requirements make this impossible since there are no Jones Act compliant vessels.

The Ask: NPGA urges Congress to enact a waiver from the Jones Act for propane shipments.