

THE JONES ACT & LIQUIFIED NATURAL GAS

What is LNG?

Liquefied natural gas (LNG) is natural gas that has been cooled (-260° Fahrenheit) to a liquid state so that it can be stored or transported across distances where pipelines are not currently available or feasible. The volume of natural gas as a liquid is about 600 times smaller than its volume in a gaseous state, allowing for much greater efficiency when storing or transporting the product. A common mode of transportation of LNG is by tanker ships across oceans and other large waterways. After delivery, LNG is converted back to its gaseous state for use by consumers. Click [here](#) for more information about LNG and its potential for exports.

What is the Jones Act?

Section 27 of the Merchant Marine Act of 1920, better known as the Jones Act, generally requires that goods transported from one U.S. port to another U.S. port must be carried on ships that are U.S. built and flagged. It also requires the ships to be 75% owned by U.S. citizens and operated by a crew captained by a U.S. citizen and comprised of at least 75% U.S. citizens.



What was the purpose of the Jones Act when it was passed in 1920?

The Jones Act is named after former U.S. Senator Wesley Jones of Washington state, who sought to monopolize commerce between his state and Alaska and protect the large shipbuilding industry in Washington which existed at the time.

The rationale for the Jones Act was to preserve U.S. shipbuilding capability and its related jobs, both with respect to ship construction and merchant marines that crew the ships. Over time, however, shipbuilding has largely shifted to overseas countries where they can be built faster and at lower cost. Additionally, the ability of owners to “flag” their ship in nearly any country willing to take them has led to a dearth of U.S.-flagged ships. According to the [Brookings Institution](#), about 180 commercial ships fly the U.S. flag out of approximately 43,000 commercial ships in the world.

How does the Jones Act affect American consumers?

The lack of pipeline infrastructure in certain regions of the U.S. – principally New England – requires alternative means to provide consumers and markets with clean, affordable natural gas. Unfortunately, there are no U.S. LNG ships to provide natural gas to those regions, which has led to their dependence on LNG imports from other nations. Nearly 80% of the LNG that is imported to the United States originates from the island nation of Trinidad and Tobago, and in the winter of 2018-2019, LNG that originated from Russia was offloaded near Boston, MA to serve the New England markets.

As a result of the inability to transport U.S. natural gas and LNG to New England, consumers there can pay six times or more for their energy compared to other U.S. consumers. And since LNG imports from other nations can easily be re-routed to other foreign customers at any time, they also face the potential for catastrophic supply shortages.

Because of the lack of access to natural gas and LNG, consumers in New England are forced to use more fuel oil for their energy needs during times of high demand. This leads to a significant increase in emissions compared to natural gas.

How many Jones Act compliant ships are there in the United States?

According to a [2019](#) report by the Congressional Research Service, by 2018 there were only 99 oceangoing ships that met Jones Act compliance standards, down from 434 such ships in 1950. There are no Jones Act compliant LNG tankers within this fleet.

Additionally, according to the [Cato Institute](#), since 1983 approximately 300 shipyards in the United States have closed, leaving only four commercial shipyards in the country.



Waivers

There are two waivers that can be granted under the Jones Act. The first is a request by the Secretary of Defense. This waiver was narrowed in 2021 when Congress passed language to limit granting of the waiver to when it's deemed "necessary in the interest of national defense to address an immediate effect on military operations." The second is a non-Department of Defense waiver that may be granted on a case-by-case basis. A "discretionary waiver" requires a finding that granting it would be in "the interest of national defense." In December 2022, the U.S. Congress amended the waiver process to require that the President, rather than the Secretary of Homeland Security, determine whether a waiver is in the interest of national defense.

Waivers have been granted on occasion when no Jones Act compliant heavy lift vessels are available, or, for example, to ameliorate fuel shortages tied to natural disasters, like hurricanes. Grants of waivers are extremely rare, with many discretionary waiver requests being denied. Economic considerations are not sufficient justification to grant a waiver, nor is offsetting foreign energy imports in favor of domestic energy suppliers.

Are there any exceptions to the Jones Act related to LNG?

The U.S. Congress has passed several pieces of special legislation which have exempted specific ships from the Jones Act for the purpose of transporting LNG. In 1996, Congress authorized certain foreign-flagged or foreign-built tankers to transport LNG from a U.S. port to Puerto Rico. Similarly, in 2011 Congress authorized three U.S.-built LNG tankers – which had become ineligible under the Jones Act because they flew a foreign flag – to seek to re-enter Jones Act compliant trade. Both of these laws were enacted due to the lack of any existing Jones Act compliant LNG tankers. Despite these laws, in each case, the ships – all over 40 years old – were never re-entered into Jones Act trade by their owners.