



CHAMBER OF SHIPPING OF AMERICA

MONTHLY REPORT FOR BIMCO

FEBRUARY 2017

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NOTE TO THE READER: Reference to the Federal Register may be found at <http://www.gpo.gov/fdsys/browse/collection.action?collectionCode=FR>. Please note new address and format for Federal Register retrieval due to upgrade in US government website.

References to legislation may be found at <http://thomas.loc.gov/> by entering the bill number (HR 802, S 2841) in the "search bill text" block found at the center of the page.

LAST CHANCE- CSA Spring Member Meetings

Our Maritime Policy Committee, Operations Committee and Board of Directors meetings will be held March 23, 2017 (Policy and Ops) and March 24, 2017 (BOD) at the Stamford Hilton Hotel and conference center in conjunction with the Connecticut Maritime Association's annual conference in Stamford, Connecticut.

MUST Register at this link: [Register your attendance by clicking this link](#)

President's Executive Order on Immigration

Given the confusion and litigation surrounding President Trump's original executive order on immigration as it applies to seafarers C and D visas, we expect a revised and clarifying executive order to be issued by next week. In the meantime, we continue to strongly suggest no crew changes in the U.S. for crewmembers from the named seven countries. We have received assurance that in the event of a medical emergency to one of these seafarers, CBP in coordination with the local USCG Captain of the Port would allow for the seafarer to be treated ashore in the U.S. We will update members accordingly once we have further information on the impact to seafarers of the revised executive order on immigration.

CBP Proposed Revocation of Prior Rulings

The US Customs and Border Protection Agency (CBP) has proposed a modification and revocation of a certain class of ruling letters relating to the application of the Jones Act to the transportation of certain "merchandise and equipment" between US ports or places. Specifically, this initiative would impact the current authorization of non-US flag offshore supply and repair vessels to



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carry certain items used in the repair of offshore structures. While CSA does not represent OSV operators, we are monitoring this initiative and are pleased to provide our perspective on this initiative if the revocations of current rulings are implemented.

Under the Jones Act, movements of “merchandise and equipment” between two US ports or places must be conducted by US flag vessels. This principle is extended to movements between a US port and an offshore structure by the Outer Continental Shelf Lands Act (OCSLA) originally enacted in 1963 and amended in 1978.

The current proposal is a result of 1993 modifications of the Customs Modernization title in the North American Free Trade Agreement Implementation Act which introduced two new concepts (informed compliance and shared responsibility) imposing a greater obligation on CBP to ensure greater clarity as to the application of trade and import requirements. This proposal is being justified by CBP as making the application of the Jones Act requirements more consistent with federal statutes.

Specifically, if this proposal is agreed, it would impact the transportation of certain articles to be installed on/around offshore structures, including well templates, marine risers, oilfield equipment and structural components by non US flag OSVs, a practice which is currently permitted. If the revocation is agreed, these and similar articles used in the repair and maintenance of offshore structures would have to be transported by US flag OSVs to the offshore site. It is uncertain at this time if non US flag OSVs would be able to offload these article at the offshore site and conduct the repairs/maintenance with this equipment.

While CSA does not intend to submit comments on this proposal due to our membership profile, we are aware that a number of industry associations are likely to submit comments in opposition to this proposal. As of this writing, we understand comments in opposition are being considered by the American Petroleum Institute, the International Chamber of Shipping, BIMCO and the International Marine Contractors Association. CSA will continue to maintain a watch on this issue and provide updates as appropriate.

LNG Carriage Mandates for US Flag Vessels

On February 28th, Congressman John Garamendi (D-California) introduced HR 1240, “The Energizing American Maritime Act”. Although the text of the bill is not yet available on the internet, CSA staff received a briefing from House staff on its contents. As Rep. Garamendi has done in prior sessions of Congress, this new legislation would require 30% of all American exports of crude oil and LNG to be transported on US flag vessels by the year 2025, although how these requirements would be phased in cannot yet be determined until the full text of the bill is available for review. While we will not reiterate concerns relative to the free trade implications of this proposal as we have detailed in past iterations



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of similar bills, they are none the less an issue that must be overcome should this bill generate momentum to move through Congress. It is also important to put the introduction of this bill in context as regards the new Administration which has a central focus of stimulating the US economy and increasing US jobs, which in this case would mean more jobs for US mariners serving on US flag vessels. Ironically, the new Republican Administration could well support a bill such as HR 1240, introduced by a Democratic Congressman as a desirable stimulus to achieve the broader economic and US job generation objectives. CSA continues to believe the trade implications of such a proposal will be difficult to overcome but given the current unpredictability of this Administration and the perspective of the US Trade Representative (who has in the past been the block for passage of similar legislation), this issue warrants a close watch. As more information is known, CSA will provide timely updates on future developments.

In order to provide the full perspective of Rep. Garamendi's on this issue, a copy of his introduction remarks are reproduced in full below.

[BEGIN QUOTE] The United States is the world's commercial superpower. We are the largest importer and second-largest exporter of merchandise. In 2015, American exports of merchandise abroad totaled over \$1.5 trillion. Seaborne trade represents an enormous share of this activity: In 2016, over \$475 billion worth of American exports were transported overseas by ship.

The average person might hear these numbers and assume that the United States and its industrial sector are deeply committed to maintaining fleets of reliable, modern American ships to carry cargo. Unfortunately, the maritime industry is a shadow of its former self. Just after World War II, the United States had 1,200 ocean-going ships. Even in the 1980s, we had several hundred ships flying under a U.S. flag. Today? That number is less than 80. Here's another shock: In 1955, a quarter of American exports traveled on U.S.-flagged ships. Today, it is below 1 percent.

As the ranking member of the Coast Guard and maritime transportation subcommittee, I am all too familiar with the negative effects of the deterioration of the American maritime industry. Fewer American ships means fewer high-paying jobs for American mariners. It means fewer skilled manufacturing jobs for shipbuilders. And it means a striking loss of the technical know-how required to build the advanced ships that international commerce relies on today — know-how that can often be transferred to other high-value domestic industries.

A robust maritime industry is also absolutely vital for our national security. The Department of Defense depends on the Merchant Marine for over 95 percent of our sealift needs in times of war or national emergency. Imagine a hypothetical



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scenario involving heightened tensions and a military buildup in the South Pacific.

In times of war, our Army and Marine Corps routinely rely on the U.S. Merchant Marine and the Ready Reserve Force fleet of 46 ships for sealift and transport of vital equipment and support. Would our military leaders feel comfortable having to rely on vessels flagged abroad and manned by foreign crews to provide this emergency sea lift capacity to transport our military into hostile regions? It's important to remember that our trade partners are not always our closest allies.

Projection of American soft power is equally dependent on a healthy, privately owned Merchant Marine. When disaster strikes, our Ready Reserve Fleet must stand ready to answer the call at home and abroad. Unfortunately, this fleet is aging, and without action, the time will soon come when our reserve fleet no longer has the capability to provide the relief that both Americans and the international community have come to expect.

It's time for Congress to stop ignoring the problem and make our maritime industry part of a comprehensive "Make It In America" agenda. That's why I'm introducing the Energizing American Maritime Act, which would require 30 percent of all American exports of crude oil and Liquefied Natural Gas (LNG) to be transported on U.S.-flag vessels by the year 2025. This modest carriage requirement would bolster our national security, put Americans to work and recreate a great American industry that has eroded with time and bad policy.

The domestic energy boom, combined with recent changes to federal law, has led the United States to dramatically increase its energy exports. Congress recently voted to allow unlimited exports of American crude oil. By 2025, this means we could be exporting up to 3.64 million barrels of crude every day, which could require up to 380 tankers and 15,200 mariners. Absent congressional action, almost all of these exports will be transported on foreign-flagged tankers, helping other nations grow their maritime industrial capabilities from the export of a strategic U.S. energy resource.

The LNG export boom is no less striking in its potential. By 2020, the U.S. will be the third-largest exporter of LNG, with an average export of 7.4 billion cubic feet a day. Exporting that much LNG will require about 100 specialized vessels and 5,200 mariners. There are currently no U.S.-flagged LNG carriers, and unless Congress takes specific action, all export capacity will be on foreign-flagged ships using foreign crews. Requiring even a percentage of these exports to be transported on U.S.-flagged ships will have a cascade of positive effects for our economy. The United States is a maritime, seafaring nation. It is past time for Congress to pay more attention to this vital industry as we work on rebuilding American infrastructure and as we contemplate a shifting national security environment in an uncertain world. **[END QUOTE]**



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UN Side Event on Ship Strikes and Commercial Shipping Noise

In preparation for the United Nations Oceans Conference set for 5-9 June 2017 in New York, a number of preparatory committees and side events are being conducted. On February 15, 2017, a side event was held at the UN, sponsored jointly by the Wildlife Conservation Society (WCS), the International Union for Conservation of Nature (IUCN) and the Government of France. The event was titled "At the crossroads: Global Shipping Lanes and Whale Conservation". The event was keynoted by H.E. Peter Thomson, the President of the 71st Session of the UN General Assembly and was attended by a number of governments, evidencing the high visibility of this issue to the UN community. A large portion of the side event was focused on a panel facilitated by Dr. Greg Silber from NOAA with whom CSA has worked a number of years on ship strike issues. CSA was asked to participate on this panel as a representative of the shipping industry. Additional participants included a representative from IMO and three others from the scientific community. The panel focused on two specific issues - commercial ship strikes of whales and the impacts of commercial shipping noise on living marine resources.

With this summary of the event in mind, the purpose of this email is to alert the shipping industry that, from our perspective, the issues of ship strikes and commercial shipping noise are gaining significant momentum at the UN, likely pushed by a number of environmental non-governmental organizations (NGOs) who clearly have the ear of certain governments at the UN. Future developments at the UN as well as potentially at IMO advise for a close watch on these issues at all levels of the UN system.

As a representative of the shipping industry, two fundamental points were made. First, any additional initiatives to regulate shipping must be the responsibility of the IMO and not other UN organizations focused on resource protection and conservation. The second point emphasized is the lack of data and impacts analysis regarding shipping and living marine resources, both temporally and spatially, and before any new initiatives on additional regulation of shipping are even begun, this lack of data and impacts analysis must be corrected before any intelligent decisions can be made in the future.

From our perspective, we believe it is the intent of the sponsors of this event to include ship strikes and commercial shipping noise as one of the Call for Action items that are agreed at the upcoming UN Oceans Conference. What such a decision would mean for future actions, particularly at IMO, remains to be seen. It is clear that a number of the environmental NGOs will push further action on these issues including mandatory controls on global shipping e.g. speed restrictions and the establishment of global shipping lanes. While it is clear what the industry's position on these types of proposals would be, it is



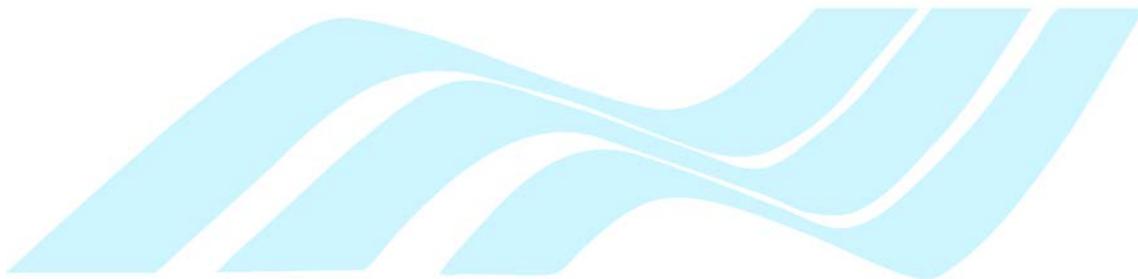
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important that the industry be prepared to confront these proposals head on when they arise in whatever forum.

CSA will continue to participate in these discussions where possible and advise on any future developments.

California State Lands Commission (CSLC) – Increase in Marine Invasive Species Control Fund Fee

As per final regulations issued by CSLC in December 2016, the current fee of \$850 per port call will be increased to \$1000 effective April 1, 2017. It may be recalled that fees collected under this program fund the CSLC Marine Invasive Species programs relating to commercial shipping. More information is available at the CSLC's website at www.slc.ca.gov



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