

May 30, 2014

Dear Member of Congress:

We write to respectfully request your support for H.R. 2838, the *Puerto Rico Interstate Commerce Improvement Act*, which would enable the maritime transportation to Puerto Rico of liquefied natural gas and other energy supplies produced in the United States. The bill would provide economic and environmental benefits to Puerto Rico, by helping to wean the U.S. jurisdiction off its dependence on foreign oil. The legislation would also benefit the U.S. as a whole, in particular those states that produce or distribute natural gas, by opening a new domestic market and helping create jobs in these states.

The Jones Act, enacted in 1920, generally requires that cargo transported in the U.S. coastwise trade be carried by vessels that are built and documented in the United States and owned and operated by U.S. citizens. H.R. 2838 responds to a 2013 GAO report, which indicates that there are not enough Jones Act-qualified vessels to meet current and future demand in Puerto Rico for energy products like LNG. In particular, when LNG export facilities open in the U.S. mainland starting in 2016, Puerto Rico will struggle to take advantage of this emerging market and will likely remain dependent on energy products from foreign nations. This is detrimental for individuals and businesses in Puerto Rico, who pay twice the U.S. average for electricity.

Congress has already recognized the need for targeted relief from the Jones Act to enable Puerto Rico to tap in to the emerging domestic LNG market. In 1996, Congress enacted a law to enable a narrow universe of vessels—built prior to the date of enactment—to transport LNG between Puerto Rico and the mainland U.S. The exception applies to two categories of vessels, namely: (1) vessels built outside of the U.S. prior to October 1996; and (2) vessels built in the U.S. prior to October 1996 that are not registered in the United States.

While this exception is important in *principle*, it must be updated to have meaningful *practical* effect. This is because only a limited number of LNG tankers in the worldwide fleet are eligible to meet the exception, and this number will further diminish as these aging vessels are decommissioned. In addition, these vessels are more expensive to operate because of their age, and that cost is passed on to the consumer in the form of higher rates. Finally, no LNG tanker has been built in the U.S. since the 1996 exception was enacted. In sum, despite the well-intentioned effort by Congress in 1996, there is a small and shrinking universe of vessels that will be eligible to transport domestically-produced LNG to Puerto Rico once that opportunity becomes feasible.

Accordingly, a reasonable update to the 1996 exception is in order—and this is what H.R. 2838 would do. The bill would allow any vessel built outside of the United States—rather than simply those built before 1996—to transport energy supplies between ports in Puerto Rico and any other U.S. port. In addition, the bill would expand the 1996 exception so that it applies to all types of

bulk cargo, rather than just to LNG and other energy products. Vessels would still be required to satisfy other Jones Act requirements, like the U.S. citizen crew requirement, and to meet all safety standards established by the U.S. Coast Guard.

Although we lead opposing political parties, we are working together on this legislation, which is important for Puerto Rico's economy given the island's geographic location. Unlike contiguous U.S. jurisdictions that receive energy supplies via pipeline, rail or truck, Puerto Rico is dependent on maritime commerce. By connecting Puerto Rico to the U.S. LNG market, H.R. 2838 furthers the national interest—expanding domestic commerce, advancing energy security, promoting cleaner energy and creating jobs.

Sincerely,



Alejandro J. García-Padilla
Governor of the Commonwealth of Puerto Rico



Pedro R. Pierluisi
Member of Congress