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The Honorable Peter A. DeFazio
Chairman, Committee on Transportation and Infrastructure
U.S. House of Representatives
2165 Rayburn House Office Building
Washington, DC 20515-6256

Dear Chairman DeFazio:

Thank you for the opportunity to provide insights from the tugboat, towboat, and barge industry during the Subcommittee on Coast Guard and Maritime Transportation's hearing on "U.S. Maritime and Shipbuilding Industries: Strategies to Improve Regulation, Economic Opportunities and Competitiveness." Included below are answers for the hearing record in response to Member questions.

Questions from Representative Maloney:

As you describe, implementing federal oil pollution standards has both encouraged stateside shipbuilding and reduced tank barge oil spills by 99.6%.

- 1. How can pollution regulations simplify interstate commerce? Could you elaborate on the maritime industry response?*

Uniform, nationwide pollution prevention standards are the most effective way to support commerce, safety and environmental stewardship. A single vessel can pass through the waters of multiple states in a single voyage and complying with a myriad of state regulations leads to inefficiency, waste and confusion for vessel owners and mariners. Those compliance costs are ultimately borne by shippers and consumers, who may shift to less environmentally-efficient modes of transportation that are governed by national standards. Uniform national standards also encourage investment in advanced pollution prevention technology because they give vessel owners the certainty that such equipment can be utilized nationwide. This is crucial because such equipment – from ballast water treatment systems to double-hulled tank vessels – is very costly.

The recently-enacted Vessel Incidental Discharge Act (VIDA) is an important step in the direction of uniform, nationwide regulations for the maritime industry that balance the needs of efficient commerce, safety and environmental stewardship. In addition to the pollution standards themselves, interstate commerce can be simplified by minimizing redundant reporting and enforcement regulations between and across states and the federal government. Efficiencies gained under a nationwide standard can easily be stymied if operators must continue to report to both state and federal regulators. One standard. One reporting process. One enforcement mechanism.

The Oil Pollution Act of 1990 (OPA 90) brought about many changes that spurred both American shipbuilding and improved pollution prevention. OPA 90 compelled a 25-year phase-out of single-hull tankers and tank barges in favor of double-hull vessels. Importantly, Congress understood that retiring single-hulled vessels and replacing them with new double-hulled vessels was a multi-billion-dollar undertaking that needed to be carried out in a phased process over time. Instead of requiring that all single-hull vessels be immediately retired, and therefore causing a major disruption to shipping, OPA 90 required that new tankers and tank barges be doubled-hulled and provided for the orderly phaseout of existing single-hulled vessels over a 25-year period based on vessel age and size.

In addition to complying with the requirements of OPA 90, the maritime industry has actively worked to implement additional measures to prevent oil spills. AWO's Responsible Carrier Program (RCP) requires vessel operators to implement a safety management system that seeks to achieve zero harm to human life, property and the environment. In a 2012 report to Congress, the Coast Guard noted that "[a]nother downward shift in spill volume occurred about 1997, which corresponds to the implementation of voluntary industry standards, known as the 'Responsible Carrier Program'..." Further, since "most of the U.S. tank barge population belongs to member companies of AWO" that must comply with the RCP, "spill volumes reach new record low values" that represent "approximately one gallon spilled for every 71.4 million gallons transported...a remarkable improvement given that the amount of oil transported by barge has been relatively constant, at approximately 69 billion gallons per year."

In sum, the dramatic reduction in oil spills is the result of both well-reasoned government regulation and industry commitment to a comprehensive oil spill prevention and response regime that recognizes the importance of continuous improvement and strong safety cultures.

2. How will the United States' growing LNG industry impact interstate commerce?

The growth of LNG offers significant opportunities and challenges for the transportation of LNG and the use of LNG as a maritime fuel source. America's Jones Act carriers have the distinction of owning and operating the world's first LNG-powered containerships and the first combination container and roll-on/roll-off (ConRo) ships. While those ships currently operate on the Jacksonville-Puerto Rico trade lane, LNG-powered vessels that will serve the U.S. mainland-Hawaii trade lane are under construction and there are plans underway to convert vessels on the Alaska trade lanes to LNG as well.

As the market demand for LNG as a maritime fuel continues to increase, the chain of interstate commerce needed to transport LNG will also continue to grow. For example, to safely fuel LNG-powered ships in the Puerto Rico trade, the first U.S.-built LNG bunker barge was delivered for service last fall. Recognizing that LNG may increasingly be transported by barge, in 2016 the U.S. Coast Guard tasked its Towing Safety Advisory Committee (TSAC) with drafting recommendations and best practices for the towing of LNG barges. In March 2018, TSAC delivered its recommendations to the Coast Guard, and the towing vessel industry will continue to work with the Coast Guard to ensure the safe operation of LNG transportation as the market grows.

Questions from Representative Larsen:

Northwest Washington is a leader in renewable energy and the state continues to invest in innovative and efficient technologies to reduce emissions, such as electrification of Washington's transportation system including the Guemes Island Ferry project in my district to construct the country's first all-electric passenger ferry.

1. How do you anticipate vessel electrification will impact the U.S. shipbuilding industry?

The design, construction, and operation of electric and hybrid vessels is already impacting the U.S. shipbuilding industry in exciting ways. Naval architects and marine engineers are evaluating a number of different models and concepts to fully or partially electrify vessels, and new prototypes will inform future development. AWO anticipates continued growth in vessel electrification, particularly as cities and ports invest in shoreside infrastructure. However, towing vessel operators have specific needs around safety, power, and operational profile that are different from ferries or passenger vessels.

The most important aspect of vessel electrification and driving a shift towards cleaner propulsion is shoreside infrastructure to support and maintain a fully-electric or hybrid fleet. Jurisdictions seeking to drive technological change must commit to investment in shoreside infrastructure and maintain that commitment throughout the development process to ensure that environmental benefits are fully realized. Jurisdictions that abandon or relax those commitments in mid-development harm the business community and hamper the implementation of future beneficial initiatives.

Another important element is the Jones Act. As the federal government, states and local jurisdictions implement emission reduction initiatives, it is vital that shipyards and vessel operators be able to rely on the certainty and stability of a national commitment to domestic vessel construction. Policymakers must ensure that domestic shipyards and vessel operators can meet aggressive timelines and achieve challenging goals. Without strong support for the Jones Act, pressures to develop environmental control technologies outside the U.S. could lead to less-sustainable and problematic foreign-sourcing that could undermine U.S. economic and security interests.

With strong, vocal support for the Jones Act, however, vessel operators invest in their fleets and the entire shipbuilding supply chain becomes an engine of economic growth. As a concrete example of that impact, Nichols Brothers Boat Builders of Freeland, Washington, is currently constructing a hybrid electric tugboat for Baydelta Maritime, which provides ship assist and escort services in the San Francisco Bay. Not only is the hybrid tug being constructed in Washington, but it was also designed by Seattle-based Jensen Naval Architects & Marine Engineers. While this example is only a small piece of the shipbuilding industry, the U.S. Maritime Administration estimates that shipbuilding contributes \$972 million annually to the Washington economy, including \$634 million in worker income.

Continue the market certainty supported by the Jones Act and vessel operators will invest in new technologies that are more efficient and economical, in tandem with the investments the federal government, states, localities and ports make in the infrastructure needed to support those technologies. In turn, those investments will drive growth in the shipbuilding market and positively impact the supply chain from raw materials and manufacturing to design and construction services.

2. How can the federal government support states and localities seeking to electrify their maritime network?

Providing shoreside electrical infrastructure for vessels is a significant financial undertaking for ports. Much like the certainty of the Jones Act to vessel operators, ports need long-term certainty to make these infrastructure investments. Investment from the federal government is an important component in ensuring the financial viability of port electrification initiatives.

In Seattle, for example, the Northwest Seaport Alliance is undertaking a \$300 million modernization of Terminal 5 that includes installing electrical infrastructure to provide shore power to vessels. This project has taken several years, and numerous regulatory and permitting steps, to reach its current stage of soliciting construction bids. Additionally, long-term infrastructure investment is well underway at the Ports of Los Angeles and Long Beach in Southern California that would enable vessels to plug into a shoreside electrical grid at port to reduce dwell-time emissions. These initiatives have broad support across multiple levels of government and this alignment is crucial to realizing economic and environmental benefits.

Again, thank you again for the opportunity to provide testimony. If you have any further questions or need additional information, please do not hesitate to ask.

Sincerely,

A handwritten signature in cursive script that reads "Jennifer Carpenter". The signature is written in black ink and is positioned above the typed name and title.

Jennifer A. Carpenter
Executive Vice President & COO