

Jones Act Requirements for Recent SPR Sale



MARCH 12, 2018

On March 8, 2018, the U.S. Department of Energy announced a sale of seven million barrels of sweet crude oil from the U.S. Strategic Petroleum Reserve (SPR). Offers are due by a specified time on March 21. The delivery periods vary between May 1 and May 31. The SPR was created in 1975 in reaction to the 1973 oil embargo as an emergency source of oil meant to replace net U.S. imports for a specified period of time.

Standard Jones Act terms apply to the sale, meaning that the Jones Act will apply to the water movements (or movements by land and water) of SPR oil destined for U.S. ports. The Jones Act requires the use of a qualified U.S.-flag vessel for the transportation of any merchandise between points in the United States.

The U.S. Government has granted blanket waivers for SPR sales in the past, such as in 2005, and made U.S.-flag Jones Act transportation practically impossible by requiring sales lots to be greater in size than most available U.S.-flag vessels in 2011. The minimum lot sizes for the March 8 sale are 40,000 barrels for barges, 100,000 barrels for pipelines, and 250,000 barrels for vessels. The minimum lot size in 2011 was 500,000 barrels.

The March 8 Notice of Sale indicates “that the requirements of the ‘Jones Act’ must be met for the marine delivery of crude oil purchased in this sale which is destined for U.S. ports” and that the “Secretary of the Department of Homeland Security has not issued a general (‘blanket’) waiver of the Jones Act for the marine delivery of crude oil purchased in this sale.”

Case-by-case waivers of the Jones Act are nevertheless available pursuant to the “Standard Sales Provisions” applicable to such sales. Waiver requests must be submitted to U.S. Bureau of Customs and Border Protection and must include, among other items of information, “documentary evidence of good faith effort to obtain suitable U.S.-flag vessel and responses received from that effort.” The Standard Sales Provisions further provide that “if there are shown to be ‘Jones Act’ vessels available and in a position to meet the loading dates required, no waivers may be approved.”

2 Min Read

Author

Related Locations

Washington, DC

Related Topics

Jones Act

Jones Act Vessels

Department of Energy

Petroleum

U.S.-Flag Ships

Related Capabilities

Transactions

Litigation/Trials

Maritime & Admiralty

Related Professionals



Charlie Papavizas

This entry has been created for information and planning purposes. It is not intended to be, nor should it be substituted for, legal advice, which turns on specific facts.