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BLOG

Fuel Blending Ruling Could Impact Jones Act

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Customs and Border Protection (CBP) recently released to the public a private ruling on the relationship between offshore fuel blending and the Jones Act that could impact the movement of petroleum products. When a similar ruling was issued to the public last spring, it generated a letter from Representatives Duncan Hunter (R-CA) and John Garamendi (D-CA) to the CBP commissioner registering concern.

The Jones Act restricts the transportation of "merchandise" between two U.S. points to qualified U.S.-flag vessels. If the merchandise is landed in a foreign port but is shipped back to the U.S., both legs of ocean transportation – to and from the foreign port – are still covered by the Jones Act.

However, CBP has also long held that merchandise that is transformed into something "new and different" on shore can be shipped to the foreign place from the U.S. and back in foreign-flag vessels. The classic case for such transformation is the refining of crude oil from Alaska in the Caribbean into gasoline and other refined products then shipped to U.S. East Coast ports.

The most recent ruling, like the ruling last year, does not involve any refining. CBP confirmed that the blending of alkylate, reformate, light naphtha, heavy naphtha, and other components so as to produce reformulated gasoline blend stock for oxygenate blending (RBOB), conventional blendstock for oxygenate blending (CBOB), and other gasoline products was a sufficient transformation into something "new and different." The ruling further indicated the specifications that must be met by the blended end products to be considered "new and different."

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