



Federal Ship Financing Program Shifts Focus, Environmental Policy and Cargo Preference at Issue

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The U.S. Maritime Administration issued two policy notices on April 22, 2015, shifting the focus of its Title XI Federal Ship Financing Program on [environmental policy](#) and [cargo preference](#).

Under the Title XI program, MARAD has the authority to guarantee indebtedness incurred in connection with the qualified construction or reconstruction of a vessel in the United States.

One of the notices formalizes a policy MARAD has been following informally to prefer Title XI applicants who propose projects with environmental benefits. Specifically, MARAD will weigh in its decision whether to extend a guarantee – in addition to the customary regulatory factors – whether a project will “include environmental initiatives that are likely to increase efficiency and lead to future cost savings.”

MARAD indicated that applicants will not be required to quantify the potential *public* benefits of environmentally friendly designs, fuels, and technologies, but encourages applicants to point out those benefits and utilize existing U.S. Government-wide guidance on assessing carbon emissions and other benefits. Given that the demand for Title XI guarantees has generally exceeded available funding, environmental benefits could be a distinguishing factor in approval process.

MARAD’s other notice reminded Title XI applicants that they must comply with U.S. cargo preference requirements in the construction or reconstruction of vessels aided by a Title XI guarantee. The Cargo Preference Act of 1954 requires that at least 50% of all items shipped financed directly or indirectly by the federal government must be carried in privately owned U.S.-flag commercial vessels.

MARAD also indicated, perhaps for the first time, that it would consider fining persons who do not comply with the law pursuant to authority granted to MARAD by Congress in 2008.

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