

Big Win for U.S. Maritime Security Program

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On October 9, the U.S. House of Representatives voted to accelerate increased funding for the U.S. Maritime Security Program (MSP). MSP provides financial support to 60 particularly militarily useful U.S.-flag vessels engaged in the foreign trade. The context was the consideration by the House of Representatives of [H.R. 702](#), a bill authorizing unrestricted U.S. crude oil exports.

H.R. 702, introduced by Rep. Joe Barton of Texas in February 2015, would repeal section 103 of the Energy Policy and Conservation Act of 1975 and prohibit any restriction on the export of crude oil except under emergency authority of the President. Lifting the crude oil export restrictions has been a key objective of certain U.S. oil and gas interests.

As a result of anticipated increased oil production due to the H.R. 702, federal government revenues will increase due to increased federal receipts from federally owned oil and gas leases. A significant portion of those available funds will be directed in H.R. 702 to increasing the MSP stipend from the current \$3.1 million per year/per vessel to nearly \$5 million and then exactly \$5 million beginning in fiscal year 2017 (commencing October 1, 2016). Current law would have increased the stipend gradually to \$3.7 million per year/per vessel.

U.S.-flag vessels engaged in the foreign trade are under substantial cost pressures as a result of the decreased reservation percentage for food aid cargoes enacted in 2012, reduced food aid funding, and reduced Department of Defense cargoes. The increased stipend is intended to counteract in part those cargo reductions.

The provision to increase MSP funding was threatened by an amendment by Rep. Justin Amash to strike the provision. Rep. Amash's amendment was defeated and increased MSP funding preserved by a vote of 306 to 109, with a majority of Republicans voting in favor of MSP and only two Democrats voting against the increased funding. The vote in favor of MSP was significantly more favorable than the overall vote for passage of H.R. 702 (261 to 159), with many Democrats voting for MSP, but against lifting crude oil export restrictions.

The fate of H.R. 702 remains uncertain, as there is substantial opposition to the bill in the U.S. Senate and the Obama Administration has indicated that it is opposed to the legislation.

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