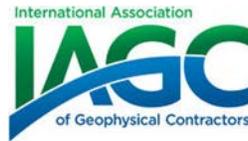




AMERICAN PETROLEUM INSTITUTE



October 28, 2019

Director Mick Mulvaney
The Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Deputy Director Russell Vought
The Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Dear Mr. Mulvaney and Mr. Vought:

We are writing to express our support for U.S. Customs and Border Protection's (CBP) recently-published notice entitled *Proposed Modification and Revocation of Ruling Letters Relating to CBP's Application of the Jones Act to the Transportation of Certain Merchandise and Equipment between Coastwise Points*, published on October 23, 2019. Simply, this proposal provides our members with needed guidance and clarity that is consistent with the Administration's energy dominance platform.

API, IADC, IPAA, IAGC, IMCA, LMOGA, OOC, PESA and our members seek a policy that will promote the overall health and attractiveness of the U.S. OCS industry. For nearly a decade, CBP's application of the Jones Act has been mired in uncertainty as it relates to certain offshore activities. However, for the past year, CBP has diligently and constructively engaged affected parties seeking to better understand the operations at issue and the unique requirements necessary for offshore development. We appreciate their efforts. CBP's proposal clearly demonstrates their efforts to understand the multitude of concerns, and this improved understanding now results in common sense policy that addresses those concerns – which again

have been raised by both the oil and gas industry and the domestic vessel community. The proposal does the following:

- Revokes the “Koff” rulings. This is significant because if these rulings are applied broadly, virtually any movement that is necessary to safely conduct installation, construction or decommissioning work by highly-specialized vessels offshore could be prohibited.
- Revokes and modifies “equipment of the vessel” rulings, such that it is now clarified that the Jones Act-qualified vessels of the domestic marine industry members are required for the transport of equipment for installation to and from offshore locations.
- Implements a definition of “lifting operations” that is critical to safe and workable operations, as it distinguishes those activities from transportation of merchandise that is otherwise covered by the Jones Act.

While rulemaking is still desired, this notice provides needed interpretive guidance to a problem that has existed for ten years. Unlike previous proposals from CBP that were withdrawn, the current notice only applies to 13 rulings (as opposed to 25), revokes the Koff rulings, and would not impact drilling activity or activities associated with pipelay or other materials that are “paid out.” Additionally, this proposed notice provides redline versions of the letter rulings, transparently showing the regulated community what the proposed action would do and what regulatory framework would remain once finalized. This transparency was not part of previous notices and is critical to providing regulatory certainty to operations following the modifications and revocations.

We are urging advancement of CBP’s proposal with a great sense of urgency because the U.S. House of Representatives recently passed language in the Coast Guard Authorization Act which significantly expands the Jones Act to govern all offshore oil and natural gas installation, construction, and removal activities and imposes a completely unworkable waiver process that would be burdensome and not even available for all necessary activities. The waiver process, if passed into law, would lead to significant delays in offshore exploration and development projects. The expected result would be reduced investment in the United States, a decline in offshore oil and natural gas production – already in steep competition with regimes such as Brazil and Mexico – and ripple effects on the U.S. economy and environment, including but not limited to: fewer employment opportunities for Americans, a decline in revenues for important conservation programs, and a substantial drop in revenues for the federal and state governments that currently benefit from offshore oil and natural gas production royalties.

Unlike the House-passed language, CBP’s proposal is anticipated to have negligible economic impact. In fact, with the certainty yielded from CBP’s proposal, operators will have confidence to invest and sanction new offshore projects, furthering strengthening U.S. oil and gas development and energy security– as well as improved opportunities for the US vessel operators.

API, IADC, IPAA, IAGC, IMCA, LMOGA, OOC, PESA and our members plan to submit formal comments on CBP’s proposal, including an economic analysis. We urge the Administration to support this process so that all stakeholder concerns can be heard and so resolution of this long process can be achieved. We look forward to working with the White

House and CBP on a formal rulemaking and would appreciate your support for this proposal to provide much needed certainty in the meantime.

Sincerely,



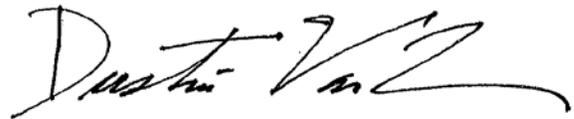
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