

U. S. MARITIME ADMINISTRATION
STATEMENT OF PROGRAM DIRECTOR
DEEPWATER PORT LICENSING PROGRAM
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BEFORE THE
COMMITTEE ON HOMELAND SECURITY
UNITED STATES HOUSE OF REPRESENTATIVES
ON
SECURING LIQUIFIED NATURAL GAS TANKERS
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Good Morning, Mr. Chairman and Members of the Committee. I am pleased to have the opportunity to testify before you today and to discuss the dramatic growth in U.S. Liquefied Natural Gas (LNG) imports, the deepwater licensing program, and the Department of Transportation and the Maritime Administration's plans to increase the employment of U.S. mariners within this highly specialized and vital energy sector.

While worldwide natural gas is in plentiful supply, the United States holds less than 4 percent of world reserves. During 2006, about 84 percent of all natural gas consumed in the United States was domestically produced. By the year 2025, as demand increases, domestic production is only expected to account for 79 percent of consumption. To accommodate this shortfall, LNG imports are projected to increase eight-fold to 4.4 trillion cubic feet per year.

Importing LNG will serve to relieve the Nation's growing energy needs by diversifying energy sources. Deepwater ports are necessary to enhance the Nation's ability to import LNG from world wide sources. The Energy Information Administration's recently released *Annual Energy Outlook 2007* states U.S. energy consumption projected for the year 2025 will be about 23 percent higher than it was in 2006.

As a consequence, the United States finds itself in a situation unlike any we have experienced before. There is strong international competition from China, Japan, and Korea for energy resources. Advances in vessel size to transport oil and LNG, the number of LNG carriers, and advances in LNG transfer technology have made importing energy ever more efficient and cost effective.

Numerous logistical hurdles remain, however. Local opposition to the construction of LNG terminals is growing, compounding the already difficult task of locating suitable gas receiving sites. At present, the continental United States has 5 operational LNG import terminals – 1 is a deepwater port located 116 miles off the coast of Louisiana. The combined capacity of the five terminals is equal to six percent of the Nation's gas consumption. Clearly, the Nation's growing need for imported natural gas necessitates a greater investment in the infrastructure required to accommodate energy needs. As such, the Maritime Administration's Deepwater Port licensing program is designed to facilitate the licensing, construction, and operation of deepwater oil and LNG terminals located seaward of U.S. territorial waters.

In 2002, the Deepwater Port Act was amended to expand the Secretary of Transportation's existing authority to include authority to issue licenses for offshore natural gas terminals. (The permitting of LNG facilities onshore and in state waters remain under the jurisdiction of the Federal Energy Regulatory Commission.) The Maritime Administration, by delegation from the Secretary of Transportation, is the lead federal agency for licensing offshore LNG and oil terminals. The Secretary of Transportation delegated authority over "pipeline matters" to the Pipeline and Hazardous Materials Safety Administration. In processing of Deepwater Port license applications, the Maritime Administration works in concert with the U.S. Coast Guard, numerous federal agencies, and state and local governments. At the conclusion of the application's environmental review process, the Maritime Administration makes a final license approval determination through the issuance of a Record of Decision. The Record of Decision incorporates the reasons behind the Maritime Administration's decision to issue or deny a license. The Record of Decision also enumerates the various conditions of licensure that govern the operation of the deepwater port facility.

To date, 15 LNG Deepwater Port applications have been filed and 4 licenses have been issued. If all applications under consideration by the Maritime Administration were constructed and operating at full capacity, they would represent over a quarter of the Nation's total gas capacity.

Congress amended the Deepwater Port Act through the Coast Guard and Maritime Transportation Act of 2006, to direct the Secretary of Transportation to develop and implement a program to promote the transportation of LNG to the United States on U.S.-flag vessels. The Act further directed the Secretary to give top priority to applications that use U.S.-flag vessels in their operations. The Act also requires that applicants provide the nation of registry for, and the citizenship of officers and crew members serving on vessels transporting LNG to U.S. deepwater ports. The Maritime Administration interprets this requirement to include those international LNG tankers providing gas to the deepwater facilities licensed by the Agency.

Therefore, in responding to these legislative directives, the Maritime Administration is in the process of developing a voluntary deepwater port manning program to encourage employing highly trained and skilled U.S. mariners to meet the current and forecasted demand for professional mariners in the international LNG shipping industry.

We are already seeing results from our efforts. Last December, the Maritime Administration announced an innovative public-private partnership with SUEZ Energy – the first official partnership of its kind within the international LNG industry. Under this agreement, SUEZ will provide training and employment opportunities for U.S. citizen officers, cadets, and unlicensed mariners aboard their tanker fleet and at both of their planned deepwater port terminals off the coasts of Boston and Florida. Additionally, Excelerate Energy has entered into a similar agreement for the Northeast Gateway deepwater port facility in Massachusetts Bay and for its existing facility in the Gulf of Mexico. In January 2007, a Louisiana-based applicant, Freeport-McMoRan Energy, also committed to work with the Maritime Administration to develop programs to train and employ U.S. mariners on LNG vessels servicing their Main Pass Energy Hub facility being planned off the coast of Louisiana.

These agreements represent sound public policy – increased safety, security, and improved transportation efficiencies – and they open up vital training and employment opportunities for U.S. mariners in the LNG industry. The Maritime Administration intends to continue to reach similar voluntary agreements with our pending and future deepwater port applicants and all energy companies serving the Nation’s international maritime markets.

It is estimated that as many as 3,700 to 5,000 additional mariners may be needed by next year. The magnitude of this manpower shortage will only serve to negatively impact this industry’s excellent safety record. Over the last 5 years the global LNG carrier fleet grew by 73 percent, from 128 to 222 vessels. And, an additional 133 LNG vessels are scheduled for delivery to service the global LNG trades by 2010. This expanded fleet will require as many as 10,000 additional seafarers, of whom almost 3,000 will be licensed officers – and, offers tremendous employment opportunities for both licensed and unlicensed U.S. mariners. This dramatic increase also comes at a time when we are already experiencing a greater demand for seafarers in general due to a dramatic increase in international trade.

The worldwide LNG tanker fleet currently lacks a single U.S.-flag vessel. As a direct result, few U.S. mariners have the opportunity to gain vital hands-on experience in this growing industry. Clearly, the lack of U.S.-flag LNG tankers translates into a lack of job opportunities for U.S. citizens. It is the Maritime Administration’s goal to help correct this situation and provide U.S. mariners opportunities in an industry vital to our energy and security needs.

The Maritime Administration strives to ensure a reliable supply of U.S. citizen mariners to serve on LNG vessels calling at U.S. energy receiving facilities. The Agency is working with the U.S. Merchant Marine Academy, state maritime academies, and other training facilities to develop and expand innovative educational programs. Specifically, the goal is to provide immediate employment for entry level mariners, both licensed and unlicensed, into the LNG industry upon graduation and courses for the retraining and/or

recertifying of current mariners who are sailing on vessels other than LNG – permitting them to transition into LNG service.

Ultimately, employing highly trained and skilled licensed U.S. mariners will help alleviate the growing worldwide shortage of professional mariners confronting the international LNG shipping industry. It will also serve to help maintain the industry's excellent safety record by maintaining the LNG officer pool. U.S. mariners are highly skilled in the operation of steam plants used on the majority of LNG vessels and are experts in operating other marine main propulsion systems, such as diesel, diesel electric, and gas turbines. In addition, America's maritime officers unions continue to train their members to the highest industry standards in LNG technologies.

It is also important to note that from an economic and competitive perspective, the growing worldwide shortage of trained and qualified LNG ships' officers has created an opportunity for U.S. officers to work aboard foreign-flag LNG vessels. International vessel operators are dramatically increasing the wages and benefits offered to foreign officers to keep or attract their services, thus narrowing the gap between the wages and benefits paid to Americans and those paid to their foreign counterparts.

The licensing of deepwater ports also contributes to the Department of Transportation's strategic goal of improved mobility and reduced congestion by limiting the number of mega LNG tankers entering our Nation's port facilities. The construction of deepwater port terminals enhances transportation safety by isolating terminals away from congested population areas.

The Maritime Administrator is required to consider the national interests in the issuance of a deepwater port license. The Maritime Administration considers the safe, secure, and efficient importation of an environmentally friendly source of energy vital to the Nation's economic growth.

We are proud of the Deepwater Ports Licensing Program and our efforts to encourage employing qualified U.S. citizens to work aboard the vessels serving the energy sector.

I want to thank the Members of the Committee and Chairman Thompson in holding this hearing today and I am happy to respond to any questions that you may have.

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