

Testimony of Ken Wells
President, Offshore Marine Service Association
Concerning the Marine Vessel Emissions Reduction Act of 2007,
S.1499
Before The
Full Committee on Environment and Public Works
United States Senate

Thursday, February 14, 2008

Madam Chair. Members of the Committee. Good morning. My name is Ken Wells and I am President of the Offshore Marine Service Association. Our association represents the owners and operators of U.S. flag vessels that work to support the offshore oil and gas industry. Our workboats carry all of the components and equipment and many of the industrial workers that make it possible for our country to access its offshore energy resources.

We appreciate having the opportunity to testify today on the Marine Vessel Emissions Reduction Act of 2007, S.1499. Madam Chair, we share your goal of reducing air emissions from all sources in the United States. As we understand it, the bill would take the Clean Air mandates that are currently envisioned for domestic vessels and would extend them to foreign vessels that come to America for trade or other purposes.

Our association is already on record calling for similar requirements for foreign flag vessels that work in offshore oil and gas areas. Offshore workboats operate very differently from the types of vessels that call on your ports and the ones that you are probably most familiar with. Rather than carry cargo from some foreign location to the U.S. and then leaving again, offshore vessels may come here to work in one area for months at a time. They compete directly with U.S. flag vessels for construction jobs, seismic work or in supporting dive operations. Under the current EPA emission reduction rules, these foreign vessels are not required to meet the same standards as U.S. vessels. This puts our U.S. companies at a distinct disadvantage. They must bear the expense of equipment and other restrictions while their foreign competitors largely avoid those costs. Because these foreign vessels work in our waters and gain revenue from our resources for weeks, months or even years at a time without having to play by the same rules as U.S. operators, it is a little like forcing Ford to meet auto emission standards for cars running on our highways and then giving Toyota a free pass. So yes, we would like the competition to play on an even playing field and not enjoy this unfair competitive advantage. Let me point out that the foreign vessels that work in the offshore oil business enter our Exclusive Economic Zone, but may not ever enter a U.S. port, and so the bill as written may not address the problem I just described. We would be willing of course to work with your staff to address this issue.

However, taken as a whole, the bill and the ongoing EPA rulemaking area a real double-edged sword for our industry. What would help us compete in domestic waters could prevent us from competing internationally. Our vessels work all over the world. Our business model is based on having the ability to relocate vessels overseas when activity in U.S. waters slows down. To force our members to install expensive equipment or replace engines would put them at a real cost disadvantage to foreign vessels. The end result is that they may be forced to reflag the vessels foreign and avoid the restrictions.

The other concern goes beyond the offshore industry and addresses our country's international competitiveness. While our industry has a number of foreign vessels that come to work in our waters for extended periods, most of the foreign vessels that call on U.S. ports carry cargo on international voyages as a part of a world trade. That world is too big for one player to set a standard that is out of sync with the other trade partners. The predictable result of that kind of unilateral action is that fewer vessels choose to meet the standard, demand for vessels outstrips the supply of qualified vessels and rates skyrocket.

Now you may justifiably ask, is this a real concern? I come from Louisiana where roughly a third of the nation's export grain is loaded and shipped out. Grain exports shift dramatically over fluctuations in currency, transportation fuel costs or a bountiful rainfall in Argentina. So yes, the concern that unilateral action by the U.S. could increase rates enough to hurt the Mississippi River's main export is real and must be considered.

Finally, we are still unsure whether the requirements for advanced emissions controls in this legislation and in the ongoing EPA rulemaking are achievable for our types of vessels. Our early analysis is that the mandated aftertreatment equipment may not fit in the confined spaces in the engine rooms of our smaller boats.

All of this leads us to one conclusion – The U.S. should not go this one alone. We are talking about international trade. The solution needs to be international in scope. The International Maritime Organization sets the standards for world maritime trade and the United States is a recognized leader in that forum. Push IMO to address this issue around the globe. That will solve your problems in California's non-attainment areas. It will force our competitors in the Gulf of Mexico to meet universal standards and it will allow us to move freely between domestic and overseas projects without being put at a cost disadvantage.

We thank you for giving us the opportunity to testify. I would be happy to answer any questions.