



**RYAN SITTON**  
TEXAS RAILROAD COMMISSIONER

April 17, 2017

Kevin K. McAleenan  
Commissioner (Acting)  
U.S. Customs and Border Protection  
1300 Pennsylvania Ave. NW  
Washington, DC 20229

Dear Acting Commissioner McAleenan,

I am writing regarding a proposal by U.S. Customs and Border Protection (CBP) that would significantly impact the offshore oil and natural gas industry. The Notice is styled as "Proposed Modification and Revocation of Ruling Letters Relating to Customs Application of the Jones Act to the Transportation of Certain Merchandise and Equipment Between Coastwise Points," 51 Customs Bulletin 3 at 1 (Jan. 18, 2017). This proposal is one of many issued by President Barack Obama's administration during the waning days of his presidency, and could have immediate and detrimental impacts to Texas' offshore oil and gas industry, and our Gulf Coast economy.

At its core, this proposal is an attempt to revise or eliminate decades-old interpretations of rules for vessels transporting specialized equipment used by the offshore oil and gas industry. The industry has built its framework around the precedents CBP is attempting to undo, and rescinding the interpretations could result in an immediate reduction of offshore oil and gas activity, which is bad for America. As a statewide oil and gas regulator for the largest oil and gas producing state in the country, I am incredibly disappointed that CBP has sought to make these changes without providing stakeholders the opportunity to participate in a formal notice-and-comment administrative proceeding.

The need for a full vetting of this proposal in a formal rulemaking proceeding, if CBP persists in its desire to make these changes, is made clear by CBP's own words. In their above referenced Notice, CBP couldn't even provide a comprehensive list of all the interpretations they were changing. They state in the Notice:

**CBP recognizes that its list of rulings and decisions referenced above in this notice may not be complete and other rulings may exist which have not been identified** but which are inconsistent with this notice. Accordingly, this notice is intended to cover any ruling which pertains to whether certain articles transported on vessels are considered vessel equipment pursuant to T.D. 49815(4). CBP also intends to revoke and/or modify all other previously issued ruling letters with findings that are inconsistent with this notice. (*Emphasis added*)

If the regulatory body making changes cannot even provide a comprehensive list of the things it is changing that is a disservice to the public and industry. I am hopeful the days of regulatory fiat at the federal level are over and that this process will open up to stakeholders impacted by the contemplated changes.

Additionally, according to a report published by the American Petroleum Institute (API), the impacts of this proposal could include:

- Loss of nearly 30,000 industry supported jobs in 2017 with as many as 125,000 jobs lost by 2030. The Gulf of Mexico states will be the most impacted by these job losses;
- Decrease in U.S. oil and natural gas production by 23% from 2017-2030;
- Decrease in government revenue by \$1.9 billion per year from 2017-2030;
- Decrease of \$5.4 billion per year on Gulf of Mexico offshore oil and natural gas spending; and
- Cumulative lost GDP of \$91.5 billion from 2017-2030.

We know that what we do in Texas in the oil business reverberates around the world and that Texas accounts for roughly 36 percent of total U.S. crude oil production. For a Gulf Coast state where oil and gas account for 30 percent of the economy, these proposed changes could be particularly devastating to our jobs, businesses and investment.

President Donald Trump has made clear his vision for U.S. energy security. Both his America First Energy Plan and Energy Independence Executive Order prioritize onshore and offshore energy production and recognize America's unique opportunity to lead the world in energy development. President Trump has also made clear his intention to repeal regulatory actions "that unduly burden the development of domestic energy resources." It is evident that the CBP proposal directly conflicts with our President's plan for national energy security.

If needed, we can provide more information and details to demonstrate the adverse impacts of this proposal to the oil and gas industry and our Gulf Coast states. I am hopeful that CBP will withdraw this proposal and adhere to President Trump's call to eliminate burdensome, unnecessary federal regulation. Should CBP ignore our President's energy agenda, we urge you to use a formal notice-and-comment administrative proceeding governed by the Administrative Procedure Act to ensure that all stakeholders can participate in the process.

If I can answer any questions for you, please do not hesitate to contact my office.

Sincerely,



Ryan Sitton  
Railroad Commissioner  
State of Texas

Cc Via Electronic Mail:

Glen Vereb, Director, Border Security & Trade, Compliance Division, Office of Trade, U.S.  
Customs and Border Protection  
U.S. Department of Energy Secretary Rick Perry  
United States Senator John Cornyn  
United States Senator Ted Cruz  
Governor Greg Abbott  
Texas Congressional Delegation