

**MONTHLY REPORT for ICS****June 2025**

**NOTE TO THE READER:** Reference to the Federal Register may be found at <http://www.gpo.gov/fdsys/browse/collection.action?collectionCode=FR>.

References to legislation may be found at <https://www.congress.gov> at the center of the page.

**Press Release: Chamber of Shipping of America Appoints New CEO and President**

Washington, DC- 30 June 2025- The Chamber of Shipping of America (CSA) announces the promotion of Sean Kline to CEO and President as CSA's longtime leader, Kathy Metcalf, steps into the role of President Emeritus. Kline has been with CSA since 2014 as the Director of Maritime Affairs, and previously served seven years on the organization's Board of Directors. Kline will take over as President and CEO on July 1, 2025.

"Sean has been a steadfast leader and an influential voice in maritime policy for years," said Garrett Huffman, CSA's Chairman of the Board and Vice President, Marine Operations for Motiva. "His industry knowledge, regulatory insight, and experience with industry stakeholders makes him the best choice to take the helm as Kathy shifts into her new role. The CSA Board and I have every confidence in his vision and steady hand to guide the organization into its next chapter."

Prior to joining the Chamber, Kline held a series of senior shore-side positions in the maritime industry. He served as Director of Marine Safety and Standards at Maersk Line, Limited; Manager of Security and Audits for the Liberian Registry; and Regulatory Development Manager with the U.S. Coast Guard. His career began at sea as a deck officer, gaining firsthand experience aboard commercial vessels worldwide. Kline is a graduate of the U.S. Merchant Marine Academy.

Kathy Metcalf has been President and CEO of CSA since 2015, having previously served as the organization's Director, Maritime Affairs for 17 years. In her new role as President Emeritus, Metcalf will work with CSA members on technical and regulatory issues.

In addition to his executive responsibilities at CSA, Kline has contributed to maritime safety and regulatory advancement through various advisory roles. Kline participates and collaborates with regulatory and oversight organizations including the United States Congress, White House, various federal and state agencies, as well as international bodies and expert groups that shape

international guidelines, including maritime security, cybersecurity, safety, and labor.

### **The One Big Beautiful Bill Act (HR 1)**

This 1000+ page bill contains a number of proposals on a wide range of issues including health/nutrition/medical care, national security, education, energy, environment, homeland security, immigration, national resources, offshore oil and gas, IRS code revisions and preventing fraud and abuse (DOGE). Only two sections are related to energy and shipping. Section 41002 would impose a fee of \$1,000,000 per license application for the export or import of natural gas if the natural gas cargo was being imported or exported to/from a country with which the US has no free trade agreement. Section 100002 would increase the current tonnage taxes by 125% as currently contained in 46 US Code 60301 and 19 CFR 4.20.

For those not familiar with US tonnage taxes, it refers to a tax system that allows shipping companies to pay taxes based on the tonnage of their vessels rather than traditional income taxes. The system is designed to promote the shipping industry and make US shipping more competitive. Key features of this program include:

**Eligibility:** Primarily applies to U.S.-flagged vessels and certain foreign vessels operating in U.S. waters.

**Tax Calculation:** The tax is calculated based on the net tonnage of the vessel, with specific rates established by the Internal Revenue Service (IRS).

**Benefits:** Companies can benefit from reduced tax liabilities, encouraging investment in U.S. shipping and maritime activities.

HR 1 passed the House on May 22<sup>nd</sup> and was received formally in the Senate on June 27<sup>th</sup>. Currently, the Senate is finalizing its own version of the bill which is unlikely to be similar to the version passed by the House. The goal was to have a final bill passed and sent to the President by July 4<sup>th</sup>; however, given significant differences among Senators and active negotiations within the Senate, it is hoped that the Senate will pass their version before the July 4<sup>th</sup> holiday at which time the Senate bill will be sent to the House. Assuming passage in the Senate, the media is reporting that the House will need to take action on the Senate version and if favorably received and passed by the House, the bill would go to the President for signature. As of the deadline for this report, the Senate has been engaged in floor debate and amendment proceedings (a delay tactic) for the past 20 hours, this after the Minority Leader, Chuck Shumer, forced a reading of the over 950 pages (yet another delay tactic) which commenced Sunday evening and ran through Monday afternoon. Majority leaders indicate they have sufficient votes to pass the bill, but it remains unknown if the House will be amenable to passage of the Senate text without moving to a conference committee.

**SHIPS for America Act (HR 3151/S 1541/S 1536)**

As summarized previously, the SHIPS for America Act was introduced in the House and Senate on May 1<sup>st</sup> and April 30<sup>th</sup>, respectively. Due to the single committee referral rule in the Senate (versus the multiple committee referral rule in the House), the Senate version was split into two separate bills with the non-tax related provisions contained in S 1541 and the tax related provisions contained in S 1536. Upon introduction, the House bill was referred to 12 committees (including Transportation and Infrastructure) and the Senate bills were referred to the Senate Commerce Committee (non-tax bill) and the Finance Committee (tax bill).

These bills contain proposals for a new maritime security trust fund, sealift capability, a new strategic sealift program, cargo preference programs, revitalization of US shipbuilding capacity, and mariner workforce development and incentivization. CSA in principle supports the proposals contained in these bills with the following four exceptions:

**Section 202 – Regular Tonnage Taxes** – includes the issues addressed in the USTR 301 investigation/decision and in some cases conflicts with the current USTR proposal. Aside for the potential for conflicting provisions between the final USTR decision and the bills, if enacted, strategically, we are also concerned that inclusion of the port fees/penalties provisions in this bill could be a “poison pill” in what is a very good step in the right direction to reinvigorate the US maritime/shipbuilding. We do think the port fee/penalty issue needs to be addressed by Congress, but we think it should be in a standalone bill and not risk tanking all the other supportable provisions in the SHIPS for America Act.

**Section 404 – Modification to Duties Relating to Equipment and Repair of Vessels** – Would increase the current 50% ad valorem tax to 70% for US flag vessels conducting shipyards in non-Chinese countries and increases to 200% for US flag vessels doing their shipyards in Chinese shipyards. While noting the waiver provisions for certain vessels, until such time as the US shipbuilding capacity is increased sufficiently to accommodate US flag vessels, whether in the specified programs or not, we believe the current rate of 50% should remain but could support an increase to 70% if a Chinese shipyard is used to hopefully push shipowners to the non-Chinese yards.

**Section 433 – Amendments to Shipowners’ Limitation of Liability Act of 1851** – as in the previous version, we oppose these provisions, which would increase the limits of liability for non-US flag vessels calling in a US port, until such time as a study is done to determine (1) if this level of liability is even available in the global marine insurance marketplace and (2) if it is available, at what cost? Our reason behind this position is that these provisions will increase the shipping costs for

vessels trading to the US which ultimately will get passed along to the US consumer. We do appreciate the change in this provision from its original 10 times the value of the vessel and cargo now reduced to 5 times the value of the vessel and cargo.

**Sec. 701 – United States Investment Credit (DNV)** – we support the general, non-discriminatory credit for building US vessels but oppose the discriminatory credits for insuring and classifying US flag vessels. The suggested way forward to is advocate for bonus credits that support broader, non-discriminatory policy objectives and that do not prejudice of dis-incentivize foreign direct investment, innovation, or competition.

As of this writing, there has been no action on any of the three bills nor hearings in the referral committees. In conversations with Members staff, we have learned that they are working on getting hearings scheduled but recognize this may take additional time beyond their July 4<sup>th</sup> target date due to Members' focus on the reconciliation bills in both the House and Senate. Please note that the House and Senate bills are identical as introduced but may be subject to change by either body as they begin to progress through the committee hearing and mark up process.

A copy of the section by section analysis of the Senate bill may be viewed at: [www.kelly.senate.gov/wp-content/uploads/2025/04/SHIPS-for-America-Act\\_Section-by-Section\\_4.30.2025.pdf#:~:text=The%20SHIPS%20for%20America%20Act%20is%20a%20comprehensive,mariner%20and%20shipyard%20worker%20recruitment%2C%20training%2C%20and%20retention](http://www.kelly.senate.gov/wp-content/uploads/2025/04/SHIPS-for-America-Act_Section-by-Section_4.30.2025.pdf#:~:text=The%20SHIPS%20for%20America%20Act%20is%20a%20comprehensive,mariner%20and%20shipyard%20worker%20recruitment%2C%20training%2C%20and%20retention)

Full text of the House bill may be viewed at: <https://www.congress.gov/bill/119th-congress/house-bill/3151?q=%7B%22search%22%3A%22ships+for+america+act%22%7D&s=1&r=6>

### **Secure Our Ports Act (HR 252)**

This bi-partisan sponsored bill prohibits any US facility for which a facility security plan is required from contracting for ownership, leasing or operation with an entity that is Chinese, Russian, North Korean or Iranian either wholly state owned or privately owned where a percentage of the company is owned by any of the listed countries.

This bill passed the House on June 9, 2025 and was referred to the Senate (Senate Commerce Committee) on June 10, 2025 for further action.



### **American Cargo for American Ships Act (HR 2035)**

This bi-partisan sponsored bill will require 100% (versus the current 50%) of equipment, materials, and commodities procured, furnished, or financed by the Department of Transportation (DOT) and transported on ocean vessels to be transported on U.S.-flagged commercial vessels to the extent these vessels are available at a fair and reasonable rate.

Specifically, the bill imposes the requirement on DOT (for cargo it contracts for or procures for itself) and recipients of DOT funding (for cargo DOT has financed with federal funds or advanced funds for the recipient to obtain).

This bill passed the House on June 9, 2025 and was referred to the Senate (Senate Commerce Committee) on June 10, 2025 for further action.

### **Maritime Supply Chain Security Act (HR 2390)**

This bill with only one sponsor would open up existing port infrastructure development program funds to fund replacement of Chinese port crane hardware or software.

This bill passed the House on June 9, 2025 and was referred to the Senate (Senate Commerce Committee) on June 10, 2025 for further action.

### **Mariner Exam Modernization Act (HR 3331)**

This bi-partisan bill would create a merchant mariner credential working group, reporting to the USCG Commandant, which would focus on review of existing credentialing and examination practices, review, revise and update the content of the USCG examination process for all unlicensed and licensed ratings and consider current and future industry standards, practices and technology which would be incorporated into the examinations. Based on the working group's recommendations, the Commandant would be required to prepare a plan to update and modernize the credentialing examinations which would include regular reviews by the working group with recommendations to the Commandant. The Commandant would also be required to provide regular briefings to relevant House and Senate Committees on the status of the plan implementation.

This bill was reported out of the House Transportation and Infrastructure Committee on June 11, 2025 and is now awaiting floor debate and vote in the House.

### **Open America's Waters Act (HR 3940/S 2043)**

Both bills were introduced on June 12<sup>th</sup> and were referred to the House Transportation and Infrastructure Committee and the Senate Commerce

Committee, respectively. There has been no further action post-referral as of this time.

These bills would repeal certain provisions of the Jones Act prohibiting the use of non-US flag vessels in coastwise trade and would specifically permit coastwise endorsement of non-US flag vessels providing they comply with USCG regulations governing specific ship types e.g., tankers and liquified gas carriers.

Bills attempting to repeal all or part of the Jones Act are historically introduced each Congressional session, however, rarely move past the committee referral stage. Given the current Administration's goals of reinvigorating the US maritime industry (ships and shipbuilding), it is unlikely that these bills will see any additional action.

### **USTR Petition Section 301 Status**

After two rounds of comments and hearings on the initial proposal by the USTR (February 21, 2025 and April 17, 2025), the USTR has published another request for comments specifically on changes they are proposing to Annex III (car carriers, ro-ros) and Annex IV (LNG carriers). This notice makes clear that comments are only being considered on proposed changes to Annex III and IV and will not consider additional comments on Annexes I, II and V. Comments are due by July 7, 2025.

### **SUMMARY OF PROPOSED CHANGES**

#### **Annex III (car carriers/ro-ros)**

- Applies to non US built car carriers/ro-ros
- Fee structure has been changed from car equivalent units to net tonnage such that as of October 14, 2025, a fee of \$14 per net ton will be charged at the first US port call
- Addition of a new targeted coverage section minimizing the impact on US flagged car carriers/ro-ros which exempts the following vessels from the port fees:
  - 1) US owned or US flagged vessels enrolled in the Maritime Security Program
  - 2) US government vessels which are defined as vessels "owned by the US government and operated directly by the government or for the government by an agent or contractor, including a privately owned US flag vessel under bareboat charter to the government"
  - 3) Vessels carrying US government cargoes

#### **Annex IV (restriction on certain maritime transport services e.g., LNG)**



- Deletes the original text which would have allowed the USTR to suspend LNG export licenses if the carriage requirements were not met
- Changes reporting requirements from the terminal operator to the vessel operator to report LNG exports carried on US built/US operated vessels and LNG exports carried on foreign-built/foreign operated vessels

#### OBSERVATIONS AND RECOMMENDATIONS

- Proposed changes do take into account some of the comments made during the 1<sup>st</sup> and 2<sup>nd</sup> round especially regarding concerns with impact on US flagged car carriers/ro-ros and the impact of the USTR ability to suspend LNG export licenses and that impact on future investment in US infrastructure to promote increased LNG exports
- Annex III (car carriers/ro-ros)
  - Support new targeted coverage section with exemptions
  - Should broaden exemptions to any US flag car carrier/ro-ros
  - This annex should be deleted in its entirety as it has no nexus with China's Section 301 violations
  - Promotion of US built and operated car carriers/ro-ros is better resolved in legislation as is currently being discussed
- Annex IV (restriction on certain maritime transport services e.g., LNG)
  - Support deletion of USTR imposed LNG export licenses
  - Proposed changes do not address the critical problem of the lack of US shipbuilding capacity and expertise for building LNG carriers in US shipyards nor the time frame necessary to generate this capacity and expertise given that the carriage requirements begin on April 17, 2028
  - Non Chinese shipyards are fully booked for new builds in the near future and it is estimated that 5-8 years would be necessary before a new LNG vessel would be launched suggesting that any carriage requirements, even for LNG vessels built in a non-Chinese yard should not start until 2030 at the earliest
  - This annex should be deleted in its entirety as it has no nexus with China's Section 301 violations

#### REFERENCE TEXT FROM 2<sup>ND</sup> ROUND COMMENTS SUITABLE FOR USE IN THIRD ROUND COMMENTS

**Annex III** of the notice/proposal imposes fees on foreign-built vehicle carriers, regardless of flag and foreign country in which the vessel was built.

We strongly oppose imposition of these fees and recommend Annex III be deleted in its entirety for the following reasons:

- (1) penalties on existing vehicle carriers, some of which are US flagged vessels, will not incentivize new building in the US
- (2) US shipbuilding capacity is currently insufficient to generate a sufficient supply of US built vehicle carriers to replace those currently calling in US ports
- (3) incentives, not penalties, are the proper method to incentivize the needed investment in US shipbuilding infrastructure and would be best addressed in current legislative efforts under discussion
- (4) the impacts of imposing these fees, even at the \$14 per net ton level, would have significant negative impacts on the vehicle carrier industry
- (5) the current US flag internationally trading fleet has a significant number of vehicle carriers which would be impacted such that imposition of these fees is inconsistent with the Administration and Congress's expressed intent to reinvigorate the US shipbuilding industry and the US flag international fleet
- (6) imposition of these fees would result in significant cargo/trade deviations for private entities which do not meet the exemption criteria but could be useful for US government use in the future
- (7) imposition of port fees for any foreign built vehicle carrier should not be addressed in the USTR decision which should be focused on applying the appropriate penalties for the Section 301 trade violation findings relative to China such that any penalties should have a clear nexus to Chinese owned vessels.

**Annex IV** of the notice/proposal imposes restrictions over time on the exports of liquified natural gas (LNG). We strongly oppose these provisions and recommend the deletion of Annex IV in its entirety for the following reasons:

- (1) there are currently no US built or US flagged vessels capable of meeting the LNG export needs of the US and are unlikely to exist within the first ten years of the time frame in the proposal
- (2) this proposal is directly in conflict with the Administration's stated goal of increasing US LNG exports



(3) the US does not currently have the shipyard capacity or technical capability to rapidly increase US LNG shipbuilding capacity and is unlikely to have such capacity for at least 8-10 years

(4) the US does not currently have a sufficient supply of experienced mariners to operate and maintain LNG ships, making reflagging a non-viable option

(5) methods and strategies to create a viable LNG export industry (via shipbuilding and US flag LNG vessels) should not be addressed in the USTR decision which should be focused on applying the appropriate penalties for the Section 301 trade violation findings relative to China and any penalties should have a clear nexus to Chinese owned vessels.

(6) methods and strategies to create a viable LNG export industry including incentives for expanding US shipbuilding capacity and US flag LNG vessels would be best addressed in current legislative efforts under discussion.

**Federal Maritime Commission – Order of Investigation and Request for  
Comments Into Flags of Convenience and Unfavorable Conditions  
Created by Certain Flagging Practices**

**FR May 22, 2025 – pgs 21926 – 21929**

**(text available at <https://www.regulations.gov/document/FMC-2025-0009-0001> )**

As reported in our previous update, the Federal Maritime Commission (FMC) has announced its intent to initiate a nonadjudicatory investigation into whether vessel flagging laws, regulations, or practices of foreign countries, including so-called flags of convenience, or competitive methods employed by the owners, operators, agents, or masters of foreign flagged vessels are creating unfavorable shipping conditions in the foreign trade of the United States.

It should be noted that this process will be in two phases. The first step is the investigatory stage and once completed, if findings of the investigation support, the second step will commence which will review what, if anything, the US could/should do to remedy these conditions. Comments are due on August 20, 2025.

At this first stage, comments are requested on the following questions:

1. Specific examples of responsible flagging laws, regulations, practices, and proposals, including how they contribute or would contribute to the efficiency and reliability of the ocean shipping supply chain.
2. Specific examples of unfavorable flagging laws, regulations, and practices that endanger the efficiency and reliability of the ocean shipping supply chain, including:
  - a. how irresponsible vessel flagging laws, regulations, and practices endanger the efficiency and reliability of the ocean shipping supply chain;
  - b. which irresponsible laws, regulations, and practices pose the greatest danger;
  - c. whether irresponsible vessel flagging laws, regulations, and practices foster the development of malign actors or fleets, such as the so-called shadow fleet; and
  - d. how irresponsible vessel flagging laws, regulations, and practices endanger maritime infrastructure, such as ports, bridges, canals, and chokepoints;
3. Practices by owners or operators of vessels that undermine the efficiency and reliability of international ocean shipping, including:
  - a. dangers posed by under-insured or uninsured vessels, including to other vessels, maritime infrastructure, and mariners;
  - b. dangers posed by vessels with poor or non-existent maintenance programs and few or no safety measures;
  - c. dangers posed by inexperienced vessel owners, operators, or agents;
  - d. dangers posed by inexperienced or unqualified mariners; and
  - e. dangers posed to freedom-of-navigation principles by irresponsible vessels owners and operators, such as dragging anchors damaging undersea cables/infrastructure, or through turning off, jamming, or spoofing of AIS/GPS.
4. The benefits to international ocean shipping of responsible vessel registration and flagging practices, including:
  - a. potential benefits to ocean shipping efficiency and reliability of standards for flagging laws, regulations, and practices;
  - b. the most important responsible flagging laws, regulations, and practices that contribute to the efficiency and reliability of ocean shipping;
  - c. how Commission regulations could support responsible flagging laws, regulations, and practices; and

d. how Commission regulations could deter irresponsible flagging laws, regulations, and practices.

5. The burdens to foreign nations and vessel operators or owners of irresponsible flagging practices.

CSA is collaborating with colleagues in other maritime trade associations, including ICS, in the development of comments by the August 20<sup>th</sup> deadline. Issues which will be covered in these comments include (1) refining the terms “flags of convenience”, “open registers”, “fraudulent registries and shadow/dark fleets” (2) historical high standards of performance of the largest open registries (3) USCG port state control program including port state control boarding matrix, QualShip 21 and E Zero (3) flag state control programs (4) IMO programs including mandatory Member State Audit scheme and ongoing work by the Legal Committee focused on fraudulent registries and the dark/shadow fleets.

Although just this writer’s perspective, it appears that FMC is not fully aware of the USCG or the IMO programs addressing their concerns so the primary purpose of these comments should be to educate FMC as to programs currently in place and urge resolution of these issues by IMO action and not unilateral action. As part of this process, we intend to provide references to relevant programs via the links below:

**USCG Port State Control Targeting Criteria**

<https://safety4sea.com/uscg-psc-targeting-criteria/>

**USCG Port State Control Report 2024**

<https://www.dco.uscg.mil/Portals/9/DCO%20Documents/5p/CG-5PC/CG-CVC/CVC2/psc/AnnualReports/annualrpt2024a.pdf>

**IMO Member State Audit Scheme**

<https://www.imo.org/en/OurWork/MSAS/Pages/default.aspx>

**Framework and Procedures for the IMO Member State Audit Scheme (Resolution A.1067 (28))**

<https://wwwcdn.imo.org/localresources/en/OurWork/TechnicalCooperation/Documents/A%2028-Res%201067.pdf>

**ICS Flag State Performance Report**

<https://www.ics-shipping.org/wp-content/uploads/2025/02/Shipping-Industry-Flag-State-Performance-Table-2024-2025-1.pdf>