NATIONAL CENTER
FOR ENERGY ANALYTICS

Fact-based
perspectives
on energy

November 16, 2026

What Is the Price of the Jones Act?

Ryan Lynch
Visiting Fellow, NCEA

The Issue

The cost that the Jones Act adds to domestic fuel shipments can be cut by more than half without repealing the law. Debate over the law generally treats subsidy and repeal as the only choices.

The Jones Act—section 27 of the Merchant Marine Act of 1920[1]—requires ships carrying goods between U.S. ports to be built, owned, crewed, and flagged domestically. It has a material impact on fuel prices on the East Coast and in Hawaii, Alaska, and Puerto Rico. It is also the only statutory source of commercial demand for U.S. shipyards.

Shipping gasoline from the Gulf Coast to New York Harbor on a U.S.-built tanker adds almost 4 cents per gallon (cpg)—59% more in shipping costs than importing it from farther away on a foreign-built ship.[2] Nearly all of that premium comes from building a ship in a U.S. yard, and those extra costs cannot be categorized simply as wages or tariffs. South Korea's state-of-the-art yards spread facility costs over dozens of ships per year, while a U.S. yard with one order must assign those costs to that one ship.

Building ships in series, plus using financing tools that largely exist—such as federal loan guarantees, tax treatment given to real estate and energy projects, and loans from allied government banks with maritime finance practices—can close more than half the gap. Government funding that reflects the fleet's national security value could close it further. Some changes need only administrative action, others require specific congressional action, and still others depend on appropriations. What remains of the gap is the cost of U.S. crews. Sustaining those crews is part of what the Jones Act exists to do, and there are already too few qualified U.S. mariners.[3]

Repeal would not remove the cost; it would only expedite losses. The government already pays up to $8.2 million per ship each year to keep foreign-built tankers under the U.S. flag;[4] without the Jones Act, U.S. shipyards would lose their only commercial orders. The 2026 defense waiver,[5] issued because there were not enough Jones Act–qualified ships, previews that outcome.

The Reality

Ships carry more than 80% of world trade (by volume) and some 80 million barrels of oil per day.[6] New York Harbor, a traditional demand center for gasoline, draws outside supply three ways: by pipeline, by Jones Act–compliant tankers from the U.S. Gulf Coast, or by import. Imported barrels usually set the price. Because local refinery capacity remains scarce and traditional Caribbean sources have suffered closures,[7] the barrels generally arrive from Europe on medium-range (MR) tankers. The

cost gap between European imports and U.S. Gulf supply has real consequences. It is the difference between an East Coast fuel market supplied by U.S. refineries via U.S. ships—supporting the industrial base—and one supplied from overseas.

The extra cost of building ships in the United States is the biggest and the most misunderstood part of the gap. Comparing a large allied shipyard with a new U.S. yard, the simulation used for this analysis found that a complex 174,000-cubic-meter liquefied natural gas (LNG) carrier costs roughly 2.6 times as much to build in the United States: $656 million versus $249 million. For an MR product tanker built at an existing U.S. yard, the gap was closer to 3.8 times.[8] Because U.S. yards already build MR tankers and LNG carriers would be new, both cases matter for companies that move U.S. energy as transportation logistics grow more complex.[9]

If wages drove the higher cost for domestic construction, then the premium would be similar across vessel types. But when the cost of the shipyard is the main driver, cheaper ships carry a higher burden. A Korean yard avoids this problem by spreading facility costs over dozens of hulls a year. In the United States, demand is so small that a yard building one hull must charge all of its facility costs to that single ship. As a result, the facility cost per hull is roughly 30 times higher for a U.S. yard than a Korean yard.[10] This problem cannot be fixed by lower wages or tariff protection because the cause is volume. Only more orders can close the gap, but the U.S. commercial market alone has never generated enough of them.

A newly built Korean MR tanker traveling from Europe to New York costs at least $17,000 per day in capital charges and $7,366 per day to operate. A U.S.-built Jones Act MR tanker on a shorter Houston to New York voyage costs $65,750 per day in capital and $22,294 per day to operate. The Jones Act vessel sails only 1,929 nautical miles (nm), compared with 3,350 nm for the international ship, but its journey is 59% more expensive. Nearly all of the difference comes from capital costs—the cost of paying for the ship itself—which are roughly four times higher for the U.S. vessel. Operating costs are about three times higher.

This comparison is particularly important as policymakers consider the sourcing of U.S. energy supply chains. In October 2026, President Donald J. Trump stated that concerns about inflationary energy prices should not focus mainly on the conflict in the Strait of Hormuz, or even on the price of crude oil, but rather on the lack of refining capacity.[11] Products that leave a refinery on the U.S. Gulf Coast, for example, are often shipped to markets on an MR tanker. In April 2026, the administration determined under Title III of the Defense Production Act of 1950 that the infrastructure for moving and storing petroleum, including marine terminals, is essential to the national defense. But the vessel that connects a terminal to the market is the one element of that supply chain that was left unaddressed. The ships, and their costs, are key to closing the gap.[12]

Most of the Gap Can Be Closed Without a New Subsidy

Perhaps unsurprisingly, what matters most to shipyards is the customer: a shipowner whose credit and financial strength signal whether, and on what terms, the yard should take an order. To satisfy a builder's conditions, the owner must be competitive in its own business, which depends on credit terms, tax treatment, and the cost of investor capital. The United States is at a disadvantage because its cost premium is not a market outcome that policy failed to fix; policy created it.[13] Shipping rules from 1920, subsidies designed in 1936, and a 1970 tax deferral were created for a fleet that no longer exists.[14] As demand for new ships fell, these policies were never updated, and fewer orders drove up costs, speeding the very decline these policies were meant to prevent. There is a targeted policy option, however, that can expand domestic shipbuilding and support the Jones Act without any new subsidies.

The fix starts with expanding Title XI loan guarantees under the Merchant Marine Act of 1936, which would let shipowners secure more favorable financing terms against a new ship's cost (referred to as *credit enhancement*; see **figure 1**).[15] Title XI is to shipbuilding what the U.S. Department of Energy's Loan Programs Office is to energy:

a federal guarantee of private debt, not a federal loan. Both programs budget for only the expected losses rather than the full amount of the debt.[16] The proposal applies what has worked for energy dominance, reducing the net capital charge of the modeled MR tanker to $55,675 per day and lowering the delivered cost to just below 10 cpg—an 8% reduction.

Next is tax parity, shown in **figure 1**. The goal is parity—not with the open registry systems, which register foreign-owned ships with few requirements, but with other capital asset markets in the United States.[17] If Congress extended to vessels the same credit transferability that it granted energy projects under the Inflation Reduction Act of 2022, a shipowner without tax capacity could sell the credit for cash, as energy developers do now.[18] If the Internal Revenue Service (IRS) allowed the General Depreciation System regardless of how a ship is used and also let shipowners write off major parts separately instead of depreciating the whole ship on a fixed schedule, ships could be taxed more like other long-lived assets, such as buildings. When combined with an IRS safe harbor rule confirming whether vessels qualify as infrastructure for real estate investment trusts, these relatively small tweaks would further lower the capital charge to $49,475 per day and cut the delivered cost by another 5%. Most of these changes to the tax code would not require an act of Congress; the Treasury and the IRS have certain authority to make these changes by ruling on how existing tax law applies to ships.[19]

Another new approach is the application of allied foreign direct investment (FDI). In **figure 1**, this is modeled as loans from Korean government-backed banks, hedged against currency risk. The mechanism to accomplish this already exists under the November 2025 United States and Republic of Korea joint fact sheet. Of the $350 billion Korean commitment, $150 billion is reserved for shipbuilding. And in June 2026, Seoul set up a financing alliance to deploy it; with the Export-Import Bank of Korea as secretariat, the alliance includes Korea Development Bank, Korea Trade Insurance Corporation, Korea Ocean Business Corporation, the new Korea-U.S. Strategic Investment Corporation, and South Korea's three major shipyards.[20] Japan's own $550 billion commitment follows the same model—the Japan Bank for International Cooperation lends a portion of the funding, commercial banks cover the rest, and Nippon Export and Investment Insurance insures the loans.[21] A May 2026 memorandum of understanding between the U.S. Department of Commerce (DOC) and South Korea's trade ministry also established a Korea-U.S. Shipbuilding Partnership Initiative to coordinate the effort.[22] What neither program has yet is a way to finance individual ships by pairing state-bank loans with Title XI guarantees. That is what would bring the allied cost of capital down to the ship itself, lowering the capital charge to $42,675 per day and cutting the delivered cost by another 6%.

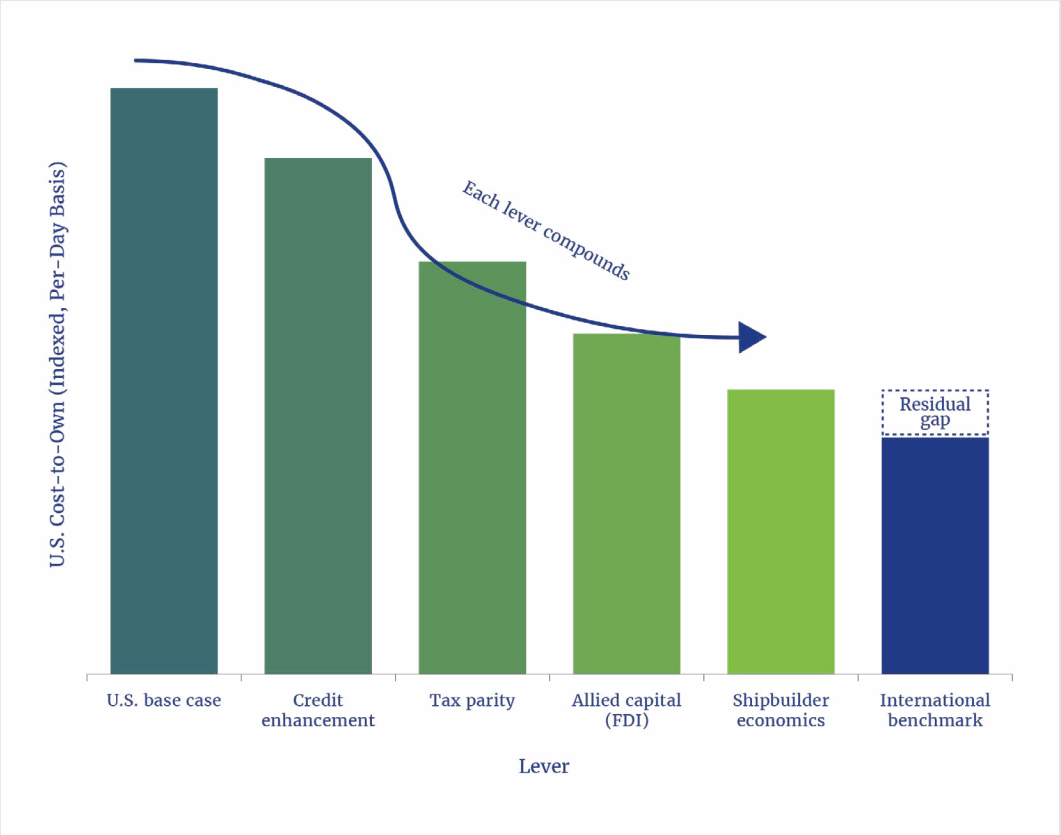
Combining these three fixes would reduce the shipowner's capital charge by about 35%, without changing anything about the shipyards. Shipyards can also improve their economics by planning production around a series of ships, buying materials more efficiently, and spreading facility costs across more hulls. With a construction program designed for scale (at least 10 ships), cost per hull drops steeply; the 10th hull becomes about 20% cheaper than a single build.[23] That could take the capital charge down again to $37,935 per day and the delivered cost down another 4%, to under 8.5 cpg. This is the last lever, labeled *shipbuilder economics* in **figure 1**.

To be clear, none of this is free of friction or risks to execution. The Title XI change is administrative, and the U.S. Department of Transportation's Maritime Administration is already revising the program. The tax changes are split between targeted rulings or interpretations and specific legislative changes. The likeliest vehicle for such changes would be a tax extender or a maritime title in the National Defense Authorization Act. The allied capital channel exists on paper in the Korean and Japanese investment frameworks, but the DOC must still designate vessels as eligible projects, an effort underway. Series production is the hardest piece because it requires an order book of 10 ships (a demand signal), and the order book is what the other three levers and the stipend programs are meant to create. The sequence matters because the administrative levers must come first and cost nothing, the legislative ones follow, and the yard economics arrives only if the administrative and legislative pieces succeed.

Together, these measures can cut the capital charge by more than 40%, leaving a delivered cost only 1.73 cpg higher than on a foreign-flagged ship. That 1.73 cpg residual is the only part of the gap where government funding could be justifiable, since U.S. shipping costs are, by then, close to parity with international vessels. Funding it would help rebuild the industrial base and support national security with a stronger fleet of U.S. commercial ships and crews.

Figure 1.

Compression Model on the New York Harbor Gasoline Voyage



Note: *FDI* is foreign direct investment. The figure illustrates Maritime Opportunity Investment Corporation's (Maritime OIC) framework for stacking the levers, showing the direction and relative size of each lever's effect; values are omitted. Each lever is applied cumulatively to the U.S.-built medium-range tanker's cost-to-own, and the residual gap is what remains for government funding to close.
Source: Adapted from Maritime OIC.

The Residual Has a Price

Although the concept of a residual gap may be new, the government already shows what it will pay for maritime capability through existing programs. The Maritime Security Program pays about $6.5 million per vessel per year on roughly 60 U.S.-flagged vessels, and the Tanker Security Program is authorized to pay $8.16 million per vessel per year for up to 20 tankers.[24] These stipends cover the extra operating costs that an owner takes on when a ship built abroad switches to the U.S. flag with a U.S. crew. The stipend shows the lower bound on what the government will pay for maritime capability, not the full value of its power to reindustrialization domestically.

Working through financial channels and pricing the capability can shrink the extra cost of a Jones Act ship over an international vessel to only 14%, from 59% in 2026. This capability measure is built from seven externalities that the fleet absorbs.[25] Using the stipend values, which cover both sealift and surge attributes, the calculation adds a

figure for disruption mitigation—the value of an active U.S. industrial base that can respond in merchant trade when supply is contested. Because shipping is international, it also adds a supply chain dependency measure to understand the risks of adversarial control. From there, it includes standard economic benefits such as income tax, corporate tax, and jobs. These externalities equal about $2.7 million per vessel per year. Summed in today's dollars over a 15-year service life, that is about $40 million—or just over a quarter of the U.S.-Korean price gap and close in size to the residual from the compression model. These numbers were calculated independently, yet they nearly match. That convergence is the central result of this analysis.

To apply the capability value, the calculation accounts for practical administrative frictions by using 90% of the $2.7 million figure. With that, the capital charge falls to $28,425 per day and the delivered cost to 7.69 cpg. Of the original 3.96 cpg gap, private finance, tax changes, and yard volume close 2.22 cpg, and government payments that reflect the value of the capability close another 0.76 cpg. The last 0.98 cpg is the operating cost of a U.S. crew. The analysis keeps that cost in place because sustaining U.S. crews is part of what the Jones Act exists to do. The shortage of mariners able to crew large ships is costing the United States about $30 million per ship in lost taxes and wealth transfers. The answer is to help recruit more of them, not crowd them out by waiving the Jones Act.

Perspective

Policymakers have three actions available for closing the price gap created by the Jones Act, and none require repealing or reforming the act. Repealing the Jones Act would not remove these costs; it would only shift who pays them. The military supply chains need U.S.-flagged, U.S.-crewed tankers, and they pay between $6.5 million and $8.2 million per ship per year to keep foreign-built vessels under the U.S. flag. Repealing the Jones Act would trigger the end of commercial orders at U.S. yards, and the mariner shortage that already costs the country about $30 million per ship in lost taxes would only deepen. The 2026 waiver is just a preview of this: With not enough U.S. ships to carry domestic cargo, the government waived the Jones Act and paid for foreign ships to move goods between U.S. ports. Repealing the act would save, at most, 4 cpg, but doing so would end the trade that the law protects—the only mechanism that produces U.S. commercial ships, U.S. crews, and the maritime industrial base. The better answer is to make the 4 cpg smaller, which is possible.

The first action is to use the transfer channels that already exist. Doing so takes the capital charge from $37,935 to $28,425 per day and saves about $3.5 million per ship per year for the communities that the Jones Act trade serves, against a public cost of only $2.4 million per year ($2.7 million factored at 90%). Although this transfer payment is a subsidy, its benefits exceed its costs, and it is already supported by existing programs. One is the Capital Construction Fund,[26] which lets shipowners exclude deposits and progress payments from taxable income, as long as the money is later withdrawn for qualified purchases. The others are the construction- and operating-differential subsidies, which have never been repealed.[27] They have simply gone unfunded since the Reagan administration. The common objection to this approach is that it would "likely require subsidies."[28] But if Congress restored funding, updated the program,[29] and tied payments to per-vessel capability value, the U.S. industrial base would gain more value than it costs taxpayers, while also securing supply chains for the next generation.

The second action is to measure and account for the policy's costs and benefits. The Jones Act has easily identifiable losers but no accounting of the winners. An appropriate standard is the federal benefit-cost analysis under Circular A-4 of the U.S. Office of Management and Budget, which uses the Kaldor-Hicks compensation test: A policy passes if those who gain could compensate those who lose.[30] Using this test, the policy can be justified if the value that the fleet provides, once priced, exceeds the cost that consumers bear. This approach allows the burden on Puerto Rico, Hawaii, Alaska, and Northeast fuel markets to be measured separately, and government payments can be targeted to specific trades.

The third action is to reframe the Jones Act debate itself, which is too often stuck in heated argument. Demand for a U.S.-built hull does not arise on its own; there is no market in a commercial sense to account for the value of security. Instead, that demand is created either by a statute such as the Jones Act or by an arrangement in which the government pays for a capability that it wants and a private owner supplies it. Every serious critique of the Jones Act is correct about cost impacts, while every serious defender is right about its need and purpose. For a century, each side has made its case with data chosen to confirm what it already believes. Critics have measured the cost premium and pointed to the uneven, systemic burden it places on coastal and island communities. Defenders have counted jobs and made broad assertions about national security. But neither those who want the Jones Act untouched nor those requesting higher subsidies to fund expansion have framed their position with the quantitative rigor that the United States applies to other cost-benefit considerations. What neither side has done is put a dollar amount on what the fleet is worth to the country, in the same terms as its cost to affected communities.

But there is a path to compromise. Using straightforward financial and policy tools, many of which already exist, the delivered cost of fuel on newly built Jones Act ships can be cut dramatically. This would support the maritime industrial base while delivering benefits—to domestic industries, to U.S. jobs, and to national security—that pass the federal benefit-cost analysis.

Notes

1 Merchant Marine Act, 1920, ch. 250, §§ 1, 27, 41 Stat. 988, 999; and 46 U.S.C. §§ 50101 (declaration of policy), 55102 (coastwise transportation of merchandise), 12112 (coastwise endorsement, U.S. build), 50501 (citizenship of owners), 8103 (citizenship of crew), 501 (waiver authority) (2024).

2 Unless otherwise noted, all estimates in this brief were drawn from the author's calculations based on Clarksons Securities, *The Tanker Case as Oil's War Premium Fades*, Shipping Weekly 46 (Clarksons Securities, 2026). The author's supplementary technical appendixes, available separately, detail the benchmark voyages, financing assumptions, and compression levers (appendix A); the externality ledger and its present values (appendix B); and the series transfer (appendix C).

3 "Assessing the Shortage of United States Mariners and Recruitment and Retention in the United States Coast Guard: Statement of Ann C. Phillips, Maritime Administrator," Testimony Documents, U.S. Department of Transportation, May 11, 2023, https://www.transportation.gov/assessing-shortage-united-states-mariners-and-recruitment-and-retention-united-states-coast-guard.

4 46 U.S.C. chs. 531, 534 (2024); see also 46 U.S.C. §§ 53106, 53406 (2024) (payment schedules).

5 46 U.S.C. § 501(a)–(c) (2024); and U.S. Customs and Border Protection, "Updated Guidance #5: Implementation of Jones Act Waiver Issued to the Department of War, Dated March 17, 2026," Cargo Systems Messaging Service no. 70435180, November 13, 2026 (third extension through February 14, 2027; vessel availability request procedure).

6 United Nations Conference on Trade and Development (UNCTAD), *Global Maritime Transport: Staying the Course in Turbulent Waters* (UNCTAD, 2026), para. 1; and U.S. Energy Information Administration (EIA), "World Oil Transit Chokepoints," database, updated March 3, 2026.

7 Eric Watkins, "Hovensa to Close 500,000 b/d Virgin Islands Refinery," *Oil & Gas Journal*, January 18, 2012; and EnSys Energy, *Impacts of East Coast Refinery Closures* (EnSys Energy, 2012), 2, 43. Hovensa's shipments to Petroleum Administration for Defense District 1 fell from about 300,000 barrels per day in 2007 to 86,000 barrels per day in January 2012 and ceased with the closure. EIA estimated East Coast refinery closures in 2010–12 would remove more than 900,000 barrels per day of capacity.

8 Clarksons Securities, *Tanker Case*, 22.

9 Iddo K. Wernick and Stephen D. Eule, *The Role of Energy in U.S. National Security* (National Center for Energy Analytics, 2026).

10 Ryan Lynch, *Shipbuilding Cost-Comparison Study: Facility Amortization, Not Labor Costs; Policy and Investment Solutions for U.S. Shipbuilding* (Maritime Opportunity Investment Corporation, 2026), figs. 10, 11.

11 Natalia Mittelstadt, "Trump Says High Gas Prices Are Due to Closed U.S. Refineries, Blown-Up Russia Refineries," The National Desk, October 5, 2026, updated October 6, 2026, accessed via KDBC CBS 4 News.

12 Executive Office of the President, Presidential Determination No. 2026-11, "Presidential Determination Pursuant to Section 303 of the Defense Production Act of 1950, as Amended, on Domestic Petroleum Production, Refining, and Logistics Capacity," *Federal Register* 91, no. 78 (April 23, 2026): 21933–34. The determination finds that "domestic petroleum production, refining, and logistics capacity, including exploration and production, gathering and transmission pipelines, storage, and marine terminals" are essential to the national defense and that industry cannot provide them in a timely manner without federal action. It authorizes purchases, commitments, and financial instruments to secure them and delegates implementation to the secretary of energy.

13 United Nations, *Review of Maritime Transport 2025: Staying the Course in Turbulent Waters* (United Nations, 2025), 51, table II.2. The open registries that carry the largest share of world tonnage (Panama, Liberia, and the Marshall Islands) together hold more than 40% of deadweight tonnage capacity and levy no income tax on shipping earnings.

14 Merchant Marine Act, 1920, ch. 250, § 27, 41 Stat. 988, 999; Merchant Marine Act, 1936, ch. 858, tits. V–VI, 49 Stat. 1985, 1995–2008; and Merchant Marine Act of 1970, Pub. L. No. 91-469, § 21(a), 84 Stat. 1018, 1026 (restating § 607 of the 1936 act, the Capital Construction Fund).

15 Title XI of the Merchant Marine Act of 1936, as amended, was added by the act of June 23, 1938, ch. 600, § 46, 52 Stat. 953, 969. The Federal Ship Financing Act of 1972, Pub. L. No. 92-507, 86 Stat. 909, converted it from mortgage insurance to a loan guarantee program, and Pub. L. No. 109-304, § 8(c), 120 Stat. 1485 (2006), codified it at 46 U.S.C. ch. 537, §§ 53701–53735 (2024). Implementing regulations appear at 46 C.F.R. pt. 298 (2026), which now calls the Title XI program the Vessel and Shipyard Financing Program.

16 Federal Credit Reform Act of 1990, 2 U.S.C. § 661(a)–(f) (2024) (guarantee cost scored as the net present value of expected cash flows); 46 U.S.C. § 53709(a) (2024) (guarantee not to exceed 87.5% of actual cost); 46 U.S.C. § 53710(a)(3) (2024) (term up to 25 years); 42 U.S.C. § 16512(c) (2024) (DOE guarantee not to exceed 80% of project cost); 42 U.S.C. § 16517 (2024), as amended by Pub. L. No. 119-21, § 50403, 139 Stat. 72, 152–53 (2025); 10 C.F.R. pt. 609 (2026) (loan guarantees for clean energy projects); and 46 C.F.R. pt. 298 (2026) (Title XI regulations).

17 United Nations Convention on the Law of the Sea (UNCLOS), art. 91(1), December 10, 1982, 1833 U.N.T.S. 397; United Nations Convention on Conditions for Registration of Ships, arts. 7–10, February 7, 1986, U.N. Doc. TD/RS/CONF/23 (not in force); and Committee of Inquiry into Shipping, *Report*, Command Paper 4337 (Her Majesty's Stationery Office, 1970), para. 1067. An open registry is a ship register maintained by a state that—exercising its authority under article 91 of UNCLOS to fix the conditions for the grant of its nationality to ships—admits vessels without requiring that the owner be a national, resident, or domestic entity of the flag state, and without conditioning registration on domestic construction, domestic crewing, or domestic taxation of the vessel's earnings; by contrast, a national or closed registry, such as that of the United States under 46 U.S.C. §§ 12103, 50501 (2024), conditions registration on citizen ownership.

18 26 U.S.C. § 6418 (2024) (transfer of certain credits), added by the Inflation Reduction Act of 2022, Pub. L. No. 117-169, § 13801(b), 136 Stat. 1818, 2009; 26 C.F.R. §§ 1.6418-1 to -5 (2026); and U.S. Department of the Treasury, "Transfer of Certain Credits," *Federal Register* 89, no. 84 (April 30, 2024): 34770.

19 Three of the four changes are within the Treasury's existing authority. The real estate investment trust definition of real property has been extended by letter ruling and regulations to cell towers, data centers, timber, and marina slips without an act of Congress, and it already lists "stationary wharves and docks"; see 26 U.S.C. § 856(c)(5)(B) (2024); 26 C.F.R. § 1.856-10(d)(2)(iii)(B) (2026); and Department of the Treasury, "Definition of Real Estate Investment Trust Real Property," *Federal Register* 81, no. 169 (August 31, 2016): 59849. The vessel component question is a matter of classification under Rev. Proc. 87-56, 1987-2 C.B. 674 (asset class 00.28). The location of a U.S.-documented vessel is already no bar to accelerated depreciation under 26 U.S.C. § 168(g)(4)(C) (2024), excepting from the predominant-foreign-use rule of § 168(g)(1)(A), "any vessel documented under the laws of the United States which is operated in the foreign or domestic commerce of the United States." The remaining disadvantage is statutory, and only Congress can change it. A vessel bareboat chartered to a foreign person is "tax-exempt use property," depreciated on an 18-year straight-line basis under the Alternative Depreciation System without bonus depreciation, unless more than half the charterer's income from the vessel is subject to U.S. tax under 26 U.S.C. §§ 168(g)(1)(B), (h)(2)(A)(iii), (h)(2)(B), (k)(2)(D), 883 (2024). The Treasury can narrow its reach by ruling, confirming that a time or voyage charter operated by the U.S. owner is a service contract rather than a lease, 26 U.S.C. § 7701(e) (2024), and that the short-term lease exception applies to foreign charterers, 26 U.S.C. § 168(h)(1)(C), (i)(3) (2024).

20 "Joint Fact Sheet on President Donald J. Trump's Meeting with President Lee Jae Myung," The White House, November 13, 2025, https://www.whitehouse.gov/fact-sheets/2025/11/joint-fact-sheet-on-president-donald-j-trumps-meeting-with-president-lee-jae-myung; and Bae Moon-suk, "Korea, U.S. Launch $150 Billion Shipbuilding Cooperation Investment Drive," *Herald Business*, June 25, 2026.

21 Japan Bank for International Cooperation, "Financing for Natural Gas Generation Project in Pennsylvania, United States," press release, August 14, 2026; and "JBIC and Commercial Banks to Lend 2.2B Dollars for U.S. Investment," *Japan Times*, May 3, 2026.

22 International Trade Administration, "The United States and Korea Sign MOU to Advance Bilateral Shipbuilding Cooperation," press release, May 8, 2026.

23 See appendix C in the author's supplementary technical appendixes for more on the learning-curve assumption.

24 46 U.S.C. chs. 531, 534 (2024); see also 46 U.S.C. §§ 53106, 53406 (2024) (payment schedules).

25 These seven externalities—sealift, surge, disruption mitigant, dependency mitigant, income tax, labor enfranchisement, and corporate tax—are outlined in appendix B of the author's supplementary technical appendixes.

26 46 U.S.C. §§ 53501–53517 (2024), formerly § 607 of the Merchant Marine Act of 1936, as amended by the Merchant Marine Act of 1970, Pub. L. No. 91-469, § 21, 84 Stat. 1018, 1026; and 26 U.S.C. § 7518 (2024) (tax treatment; deferral of tax on deposits; ordinary-income recapture of nonqualified withdrawals; reduction of basis on qualified withdrawals).

27 Title V of the Merchant Marine Act of 1936 was never repealed. Its §§ 501–507 and 509 were formerly 46 U.S.C. app. §§ 1151–1157, 1159 (2000). The 2006 recodification struck only §§ 508, 510, and 511 (Pub. L. No. 109-304, § 19, 120 Stat. 1485 [2006]). The program ended in 1981 because the Reagan administration requested no funds, and Congress appropriated none—not because the authority lapsed.

28 G. Allen Brooks, *U.S. Energy Security Comes Only with Maritime Strength* (National Center for Energy Analytics, 2026), 1, 4, 6.

29 Specifically, § 501 of the Merchant Marine Act of 1936 limits construction-differential subsidy (CDS) to a new vessel "to be used in the foreign commerce of the United States," and § 506 bars a subsidized vessel from domestic coastwise or intercoastal service unless the subsidy is repaid pro rata. Under the statute as written, a Jones Act MR tanker could not receive CDS at all, and a Maritime Security Program or Tanker Security Program tanker could receive it only so long as it stayed in foreign trade. Restoring Title V funding for the fleet would require amending §§ 501 and 506. That takes legislation, not an appropriations rider, though the amendments could be included in a future National Defense Authorization Act.

30 "Circular A-4," Office of Management and Budget, The White House, September 17, 2003, https://obamawhitehouse.archives.gov/omb/circulars_a004_a-4. See Nicholas Kaldor, "Welfare Propositions of Economics and Interpersonal Comparisons of Utility," *The Economic Journal* 49, no. 195 (1939): 549–52; and J. R. Hicks, "The Foundations of Welfare Economics," *The Economic Journal* 49, no. 196 (1939): 696–712.

About the Author



Ryan Lynch

Ryan Lynch is a maritime executive and industrial policy economist focused on the advancement and resilience of the maritime industrial base. His experience spans commodity trading, ship management, shipbuilding, infrastructure capital, economic security, and maritime sovereignty.

As managing partner of Maritime Opportunity Investment Corporation, he advises investors and policymakers on allied maritime and shipbuilding capabilities. His firm's investment efforts seek to empower the nuanced system understanding needed to rebuild U.S. maritime ventures. Lynch previously served as president and chief executive officer of Hanwha Shipping and was a managing director within Gunvor Group. A fourth-generation U.S. maritime advocate, he holds an MBA from the Massachusetts Institute of Technology Sloan School of Management and an MA in applied economics from American University.

ABOUT THE NATIONAL CENTER FOR ENERGY ANALYTICS (NCEA)

NCEA is devoted to data-driven analyses of policies, plans, and technologies surrounding the use and supply of energy essential for human flourishing.

Advisory Board

- Peter Bryant, Board Chair, Clareo
- Zabrina Johal, Chief Executive Officer, Zap Energy
- Terrence Keeley, Chairman and Chief Investment Officer, 1PointSix LLC
- Devang Khakhar, PhD, Professor of Chemical Engineering, Indian Institute of Technology Bombay
- Steven Koonin, PhD, Senior Fellow, Hoover Institution
- Julio M. Ottino, PhD, Dean Emeritus, Northwestern University McCormick School of Engineering and Applied Sciences
- Paul H. Tice, Adjunct Professor of Finance, New York University Stern School of Business
- Scott W. Tinker, PhD, Director Emeritus, Bureau of Economic Geology, The University of Texas
- David G. Victor, PhD, Professor of Innovation and Public Policy, School of Global Policy and Strategy, University of California San Diego



NATIONAL CENTER
FOR ENERGY ANALYTICS