



**Homeland
Security**

DEPARTMENT OF HOMELAND SECURITY

Office of the Secretary

Waiver of Compliance with Navigation and Inspection Laws

Hurricane Katrina is one of the largest natural disasters to ever strike the United States. It has significantly disrupted production of oil and gas in the Gulf of Mexico, has caused many Gulf Coast oil refineries to go out of service because of flooding, lack of electric power or other reasons, and has significantly disrupted the pipeline transportation of oil and refined products from the Gulf Coast States. These production losses, outages and disruptions have already caused large runups in the price of oil, gasoline and other refined products. The Department of Homeland Security is also now receiving reports of threatened or actual shortages of gasoline, jet fuel, and other refined products, and of the rationing of these fuels, both in the Southeast U.S. and in other locations throughout the country.

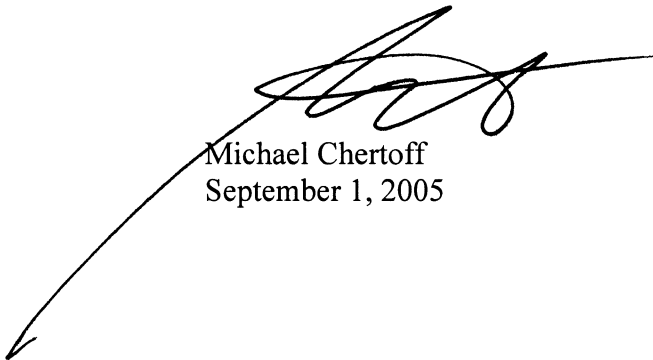
Numerous companies that produce and/or ship petroleum and/or refined petroleum products have submitted to the Department requests for waivers of the Merchant Marine Act of 1920 (the "Jones Act"). 46 U.S.C. App. section 1. This and related laws are generally referred to as the "coastwise laws." These laws provide, among other things, that only vessels built and owned by citizens of the United States and flagged in the United States can carry merchandise between U.S. ports.

The Secretary of Homeland Security is vested with the authority and discretion to waive the coastwise laws "to such extent and in such manner and upon such terms as he may prescribe, either upon his own initiative or upon the written recommendation of the head of any other Government agency, whenever he deems that such action is necessary in the interest of national defense." In consultation with and upon the recommendation of the Secretary of Energy, I have determined that such a waiver, in accordance with the terms set forth below, is in the interest of the national defense.

The catastrophic destruction brought about by Hurricane Katrina has dramatically impeded, and in some places in the affected region stopped altogether, production and transportation or transmission of oil, refined petroleum products, natural gas, and electricity. Much of the lost oil production is from producing areas in the Gulf of Mexico which have been leased pursuant to programs of the Department of the Interior. This lost production, refining and transportation capacity has resulted in the threatened rationing and unavailability of gasoline, jet fuel and other refined products, and threatens the

Nation's economic and national security. I believe that waiver of the coastwise laws would facilitate the transportation of oil and refined petroleum products in and from portions of the United States devastated by the Hurricane, and to other regions affected by the disruptions that have occurred in the Gulf Coast area.

Therefore, I am exercising my discretion and authority to waive the coastwise laws generally for the transportation of petroleum and refined petroleum products for the period until 12:01 a.m., September 19, 2005. In addition, I am exercising my discretion and authority to waive the coastwise laws generally for the transportation of petroleum released from the Strategic Petroleum Reserve, whether pursuant to an exchange, sale or otherwise, undertaken in response to the circumstances arising from Hurricane Katrina. I find, for the reasons set forth above, that such waivers are necessary in the interest of national defense.



Michael Chertoff
September 1, 2005