

Commercial Customs Operations Advisory Committee (COAC)

Global Supply Chain subcommittee

Pipeline Working Group summary and recommendation

The logo for the Commercial Customs Operations Advisory Committee (COAC). It features the letters 'COAC' in a bold, serif font. The 'C' on the left and the 'A' in the middle are blue, while the 'O' and the 'C' on the right are red. Below the letters are two horizontal lines, the top one red and the bottom one blue.

COMMERCIAL CUSTOMS OPERATIONS
ADVISORY COMMITTEE

**COMMERCIAL CUSTOMS OPERATIONS ADVISORY COMMITTEE (COAC)
TO U.S. CUSTOMS AND BORDER PROTECTION (CBP)**

Pipeline Working Group

August 23, 2017

July 2015: Pipeline Working Group

In July 2015, CBP established a Pipeline Working Group to create uniformity at ports of entry, automate procedures, and modernize regulations governing the pipeline industry. Independent of COAC, the American Petroleum Institute (API) also established a Working Group to look at what it would take to develop new regulations and automation. The COAC Pipeline Working Group worked with experts in industry, including API, to educate CBP on pipeline movements in an effort to provide more effective and uniform processes and level the playing field with bond requirements and enforcement.

May 2016: Pipeline Pilot

Between July 2015 and May 2016, the Pipeline Working Group held 23 sessions via teleconference. Through developing industry knowledge on both crude oil and natural gas shipments, CBP was in a position to establish a Pipeline Pilot Program. The Pilot addressed how current processes did not acknowledge the movement of different products through international pipelines where shipments both originated in and delivered to the U.S. after moving through Canada. CBP Regulations provide CBP the authority to waive entry after determining the domestic (US to US) nature of the shipment (See 19 CFR 123.21).

For other land border modes of transportation (truck and rail in Subpart E and 19 CFR 123.23), regulations provide specific procedures that should be followed to move goods in-transit. While current regulations do not provide specific procedures for pipelines, 19 CFR 123.21(c) allows for the application of these rules beyond those currently specified.

CBP used these regulations to establish an operational pilot pending regulations and automated solutions. The pilot ran for over 6 months and was deemed a success saving industry millions of dollars in reconciliation and helping CBP understand how they could manage pipeline in an automated fashion within ACE on an account managed basis.

March 2017

Phase I of the Pipeline Working Group focused on providing in-depth industry knowledge to enable CBP to understand pipeline operators and the systems already in place to accurately record volumes and deliveries through the common carrier system. While the pilot was running, the Pipeline Working Group for Phase I was disbanded. Phase II of the Pipeline Working Group, consisting of old and new members, was created and began on March 7, 2017. The primary focus was to build on the knowledge from Phase I and address the following issues in a collaborative fashion to bring final resolution to them for a uniform pipeline process:

- 1) **Advance Manifesting**, which trade and CBP has acknowledge is not applicable to pipeline movements like other modes of transit.

- 2) **In-Bond Movements**, which has never been practical for pipeline operators to provide a CBF Form 7512 for every movement. However, CBP recognizes that some entity must have liability for the merchandise once the pipeline movement arrives in the U.S. typically at the Northern border. CBP must have a way to account for pipeline movements to meet Census and data collection requirements as well as ensure a Customs Bond is in place for any enforcement measures required under 19CFR113.62.
- 3) **Entry/Entry Summary Issues**, such as:
 - a. Standardizing the appropriate trigger point for filing entry at pipeline locations.
 - b. Defining the parties to a pipeline transaction and assigning appropriate customs responsibilities to the proper party; importer of record, pipeline carrier, etc.
 - c. Standardizing the time lines and entry/entry summary procedures required for entry/summary filings to be used at ALL ports of entry.
 - d. Addressing the monthly consolidated entry/entry summary procedures particularly with reference to natural gas shipments, which is already handled on a monthly basis under pipeline contractual transportation agreements
 - e. Addressing the unit of quantity reporting (natural gas conversion factors into CBP reportable Unit of Measure)
 - f. Standardizing pipeline carrier requirements for providing delivery tickets to importer /consignee/broker/CBP as applicable
 - g. Standardizing requirement by pipeline carrier to provide information related to import activity to CBP
 - h. Confirming appropriate MPF procedures
 - i. Clarifying penalties for failure to file
 - j. Discussing and addressing other compliance issues and recognize differences due to timing, in-bond or FTZ movements, imports by a party other than the shipper, backhauls, delivery requiring over 24 hours, in-bond movement extending in excess of 30 days, and others to be identified through discussion.

June 2017

With this new Statement of Work in mind, the Pipeline Working Group held several more conference calls and an in-person meeting in Washington, DC on June 15th and 16th. During the in-person meeting, the Pipeline Working Group reviewed two account-based approaches to managing pipeline shipments in a uniform and automated fashion that clearly outlines the responsibilities of each party and which bond is required for enforcement purposes. These models included the following:

- 1) **Bonded Warehouse Model** – Several scenarios were reviewed to provide Pipeline Operators with more flexibility in reporting, especially natural gas shipments. However, it was felt the learning curve to become a Bonded Warehouse was too steep and unfamiliar for Pipeline Operators that truly act as carriers and do not require more than 30 days to account for the goods.
- 2) **Monthly 7512 Reporting** – Since Pipeline Operators act as carriers, they will develop a unique B/L that will act as the 7512 for in-bond movements that can be reconciled on a

monthly basis to the unique batch identifier. Details still need to be resolved, but CBP would like to pilot this reporting method.

August 2017

Looking forward to the COAC public meeting on Wednesday, August 23rd, the Pipeline Working Group would like to put forward the following recommendation:

COAC recommends CBP begin a Proof of Concept Pipeline Pilot to allow Pipeline Operators to utilize a Monthly 7512 batch reporting process. CBP to consult with the Pipeline Working Group to develop the parameters of the Pilot and bonding requirements and potential expansion.