

THE Alliance diverts ships through Suez ahead of Panama Canal transit cuts



Only 18 ships of any size will be allowed to transit the Panama Canal daily starting Feb.1. Photo credit: Solarisys / Shutterstock.com.

Michael Angell, Associate Editor, and Mark Szakonyi, Executive Editor | Dec 1, 2023, 4:19 PM EST

Ocean carriers of THE Alliance will halt Panama Canal transits through February for ships on three of its weekly container services between the US and Asia, opting instead for longer sea routes through the Suez Canal.

The move comes as the Panama Canal Authority (ACP) puts severe limits on ship transits in response to the ongoing drought in the region, which is already causing mounting delays for vessels. Those limits are due to get even tighter in the coming months.

Hapag-Lloyd said Friday that two services to the US East Coast, the EC1 and EC2, along with the EC6 service that calls the Gulf Coast, will use the Suez Canal for their US-

bound voyages “during the dynamic Panama Canal situation.”

A live tracking tool the carrier is now offering to shippers showed that 10 ships spread among the three services will depart from South Korea’s Port of Busan between the end of November and mid-December and take the westbound voyage through the Suez Canal instead of eastbound voyage through the Panama Canal.

On the return voyage, seven ships among the three services have been scheduled to depart US ports since mid-November, using the Suez Canal for the backhaul. In addition, three ships on the EC1 departed Savannah at the start of November and used the Cape of Good Hope to return to Asia.

The live tracking tool did not indicate how long the Suez rerouting would last. But a source familiar with the situation told the *Journal of Commerce* that THE Alliance expects to reroute vessels through the end of February. Another source said no permanent change for these services has been made yet, prompting the use of the live updates to show which ships are being rerouted.

The Suez Canal route from Northeast Asia takes about five to eight days longer than through the Panama Canal, but THE Alliance will deploy more ships into the services to maintain their schedules.

Canal trips halved by 2024

The service changes come as the Panama Canal grapples with its worst drought in more than a half-century, limiting the amount of fresh water that can be pumped into the Canal’s locks from Gatun Lake. That has winnowed the number of ships that can transit the canal, forcing the maximum ship draft to be lowered to 44 feet from 50 feet.

In an October announcement, the ACP said it will only allow 18 ships of any size to transit the canal each day starting Feb.1. That is down from the 32 daily transits allowed as of August due to the draft restrictions resulting from the drought. At peak capacity, the canal can handle between 34 and 42 ships per day.

The ACP has also suspended auctions for last-minute reservation slots for ships to use the canal, causing more vessels to wait longer for an open slot. Northbound ships on average are waiting just over 11 days for an open reservation slot as of December, up from three days as of the start of November.

Container ships have been spared from most of the actions the ACP has taken in response to the drought because they have regular reservation slots. Even so, there

will only be 15 reservation slots for post-Panamax vessels, such as container ships, available by February, down from 20 slots available at the start of November.

Carrier surcharges

Most of the effects of the canal's restrictions have shown up in surcharges that carriers plan to start levying on shippers. CMA CGM and Hapag-Lloyd plan to start charging \$150 and \$130 per TEU, respectively, for Panama Canal services.

Mediterranean Shipping Co. will start charging an extra fee of \$297 per TEU in mid-December on imports from Asia that transit the canal to the US. MSC will also charge \$140 per TEU on containers that transit the canal from the West Coast of South America to the US East and Gulf coasts.

Jennifer Matuszak, director of global freight at Vinmar International, told the Journal of Commerce that while the canal's restrictions have not had much impact yet, she is concerned about how the February transit limits will affect US resin exporters such as Vinmar.

"Other than a few blank sailings, which could be for any number of reasons, we have not seen any impact yet in terms of delays or restrictions," Matuszak said. "But with less slot capacity available as of February onward, I am extremely concerned and monitoring the situation."

She said shippers can use [intermodal rail from the Gulf Coast](#) to reach West Coast ports as an alternative to the Panama Canal. That will add to transit time, "but no solution is going to be perfect, and we manage the situation as we face it," she said.

The biggest change for Vinmar as a shipper, though, is monitoring weather to get ahead of potential disruptions. In addition to Panama's drought, northern Brazil also saw reduced water levels on the Amazon River that forced restrictions on shippers to Manaus, a destination for resins shippers.

On the other end of the Amazon, Brazil's Navegantes region was hit with floods, delaying shipments to that southern port. India's Mundra port, a major transshipment hub, was also hit with monsoon rains that limited cargo moves.

Matuszak said she now sets up calendar reminders to check on seasonal weather patterns at her customers' preferred ports.

"This year, weather has been the wildcard," she said. "I never had to do a reminder for weather in my 20 years in the shipping business."

Contact Michael Angell at michael.angell@spglobal.com.

Contact Mark Szakonyi at mark.szakonyi@spglobal.com.

© 2023 S&P Global. All rights reserved. Reproduction in whole or in part without permission is prohibited.

You are permitted to print or download extracts from this material for your personal use only. None of this material may be used for any commercial or public use. For more information on reprints/eprints, please visit <https://subscribe.joc.com/mediasolutions/>.