

INTERNATIONAL CHAMBER OF SHIPPING
Panama Canal Authority Industry Stakeholder Webinar

Summary Report

Introduction

On 19 December, Dr Ricaurte Vasquez, Administrator to the Panama Canal and Ms Ilya Espino de Marotta (Deputy Administrator) held an industry stakeholder webinar to answer industry queries about changes to the Panama Canal operational capacity. An overview of this webinar is provided below.

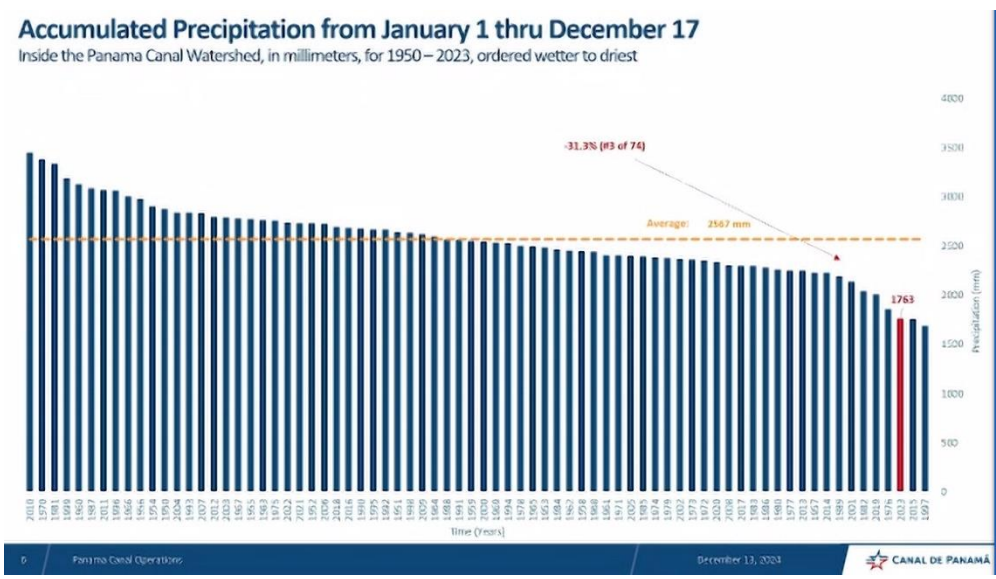
Challenges faced by Panama Canal

Dr Vasquez outlined that the Canal operation, as well as global trade in general, had been affected by a number of challenges, including:

- Rise in geopolitical tension, violence in the Middle East and rerouting of global trade to avoid the Red Sea;
- Increase in interest rates and consequent increase in incidental shipping costs, including late payment fees and chartering rates;
- Return to pre-pandemic levels of freight rate, reducing potential income for shipowners and operators facing higher interest rates and an increase in energy prices and marine fuel costs; and
- Climate change, specifically the El Nino phenomenon, which this year has led to a record lack of rainfall and low water levels in the Gatun Lake, which feeds the canal.

Panama Canal Response to Challenges including Low Water Levels

ACP advised that the reduced water levels have required a reduction in transit capacity and a reduction of draft to 44ft to accommodate as many customers as possible without unduly depleting the Gatun Lake water supply used to fuel both the canal and population.



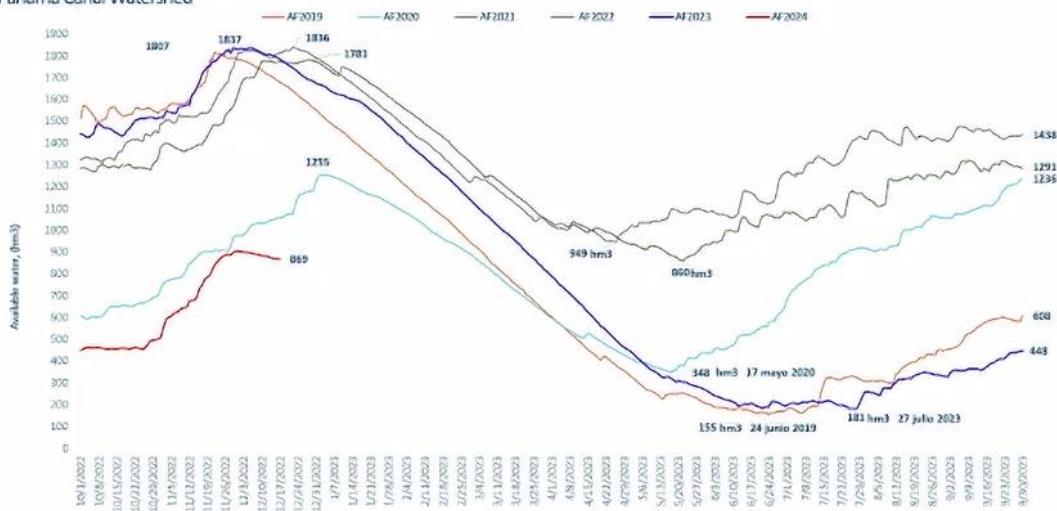
Operationally, in response to the historically low water levels, the ACP have:

1. Reduced transit booking allocation to a limit of 24 transits a day from January 2024 (as per Advisory to Shipping [A54-2023](#))
 - a. ACP further advised of plans to enhance the level playing field for its customers, limiting the amount of slots that each shipper can make per day to provide parity between canal customers.
2. Linked transit price to market price
 - a. Noting a strong concern from industry on this principle, the ACP advised that they considered this the most effective way of determining price for canal transit, and noted that the Panama Canal was not intending to maximise revenue using this change.
3. Reduced freshwater fee variable component
 - a. As per Advisory to Shipping [A42-2023](#), this reduction is linked to the reduction in cargo capacity permitted to transit due to the reduction in draft levels made in response to low water levels.
4. Undertaken additional water conservation measures, including:
 - a. [Cross filling](#) (implemented from 2019);
 - b. Utilising short chambers whenever vessel lengths permit;
 - c. Minimising directions on transit of north and southbound to maximise cross-filling;
 - d. Monitoring leaks;
 - e. Maximizing use of tandem fillings; and
 - f. Suspending special lockages.

In addition to the measures above, the Panama Canal Authority has also proposed infrastructure projects for consideration by the Panamanian Government, including proposals to construct reservoirs outside of the current Canal watershed along the Indio River. \$1.5 billion is expected to be allocated to the resolution of the low water issue, with a focus on both water conservation operational measures as well as the building of new infrastructure.

Available water in lakes Gatún + Alhajuela

Panama Canal Watershed



Question and Answer Session

The ACP Administrator and Deputy Administrator provided answers to questions posed by the audience, which are replicated below:

What are the Canal's expectations for operations after Feb 2024?

- Outlook post-February continues to predict a lower number of transits per day (18-24) until expected rainfall improves lake water levels from the April/May rainy season;
- Panama Canal overall revenues from tolls will decline from the budgeted reduction of \$200m to between \$500m - \$700m reduction. This increased deficit has been communicated to the Panamanian government.
- Any change to the current transit booking system will be made with 30 days' notice to Panama Canal Customers;
- ACP urged shipping companies to consolidate among themselves as much as possible (e.g. within alliances) to maximise vessel size and load, ensuring that as much cargo is transited as possible.

What are the Canal's long-term plans to mitigate future challenges in providing service?

- ACP advised that the current water efficiency improvements, e.g. by cross-filling locks and monitoring leaks, must be complemented by infrastructure investment in a long-term water conservation system;
- Such a system will need to take into account both the Canal water usage and the treatment of water for population consumption and will need to be designed with technology such as salinity monitoring in mind.

What measures is the Canal taking to mitigate small contact incidents in the locks which are damaging transiting vessels?

- ACP have experienced with 7 different fender technologies, and are testing prototype floating fenders in the Cocoli locks.
- Once tests are completed, these fenders will be installed to replace the current system in the Neopanamax locks. This is a top priority for the canal.
- ACP noted that the number of small contact accidents reported in the locks has remained stable, declining slightly since 2016.

Can clients that book a transit reservation expect same level of reliability as before?

- ACP guarantee remains that those who have a booking date will transit within 18 hours of that date. With regard to an auction slot, this timing guarantee is slightly increased (to 24-48 hours).

Shipping companies have called for the re-structuring (or suspension) of the Ranking System often used as a variable to determine transit bookings. Will this be enacted?

- The ranking system enables those who transit the canal most often to be placed higher in the ranking system and receive more opportunities for booking slots as a result;
- ACP had been looking into the re-drafting of this system, following criticism that this method biased the booking slots in favour of certain vessel types/cargoes carried.
- The review of the ranking system has been suspended while the extraordinary booking measures are in effect to mitigate the record low water levels, but are planned to be reopened once normal service is resumed.
- ACP concluded that as the Panama Canal is a public service, they are required to provide a uniform service to customers. While the canal had previously been biased towards servicing containership clients, given infrastructure preference of the locks, they recognised the need to balance this bias and level the playing field between customers, irrespective of cargo or shipper.

Has the Panamanian government already taken a decision on the proposed water reservoir project?

- The Panamanian government has not yet approved this plan for a reservoir, due in part to the social and political unrest in Panama experienced over the past few months.
- ACP will work with the government (and any new administration upon appointment on 1 July) to advance this project.

Conclusion

The ACP concluded by reiterating their commitment to listen to industry concerns and advised that all available data on transit booking, fees, queues, lake water levels and shipping advisories continues to be available on the Panama Canal website.