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Shaping the Future of Shipping

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## ICS DELEGATION VISIT TO THE PANAMA CANAL AUTHORITY MEETING REPORT (18 January 2024)

### Attendance List

<b>Mr Keiji Tsuchiya</b>	Chair, ICS Canal's Sub-Committee, JSA
<b>Ms Kumiko Iwasa</b>	Japanese Shipowners' Association
<b>Mr Koh Fujimoto</b>	Japanese Shipowners' Association
<b>Mr Barr Turner</b>	Liberian Shipowners' Council
<b>Mr Guy Platten</b>	Secretary General, ICS
<b>Ms Meme Lamlum</b>	Policy Officer, ICS

### Background and Overview of Relationship with ACP

Following several changes made by the ACP in the previous months, an ICS delegation organised a meeting with the ACP in Panama to discuss ongoing concerns on the general operational process, including transit costs, measures taken in response to the dry season and the plans for the canal to develop future pricing strategies. An overview of the main points discussed is provided below.

### ICS State of the Shipping Industry Overview

The industry delegation presented to the ACP key industry priorities for 2024 in light of the discussions taking place at the International Maritime Organisation, specifically regarding the IMO global greenhouse gas strategy and proposals for an economic measure. The ICS delegation stressed the importance of the continued smooth operation of the Panama Canal during a time of increased geopolitical tensions, including events in the Red Sea, and the need for open communication between the ACP and the industry. The ICS delegation further outlined that the webinar that took place on 19 December 2023 was very well received by the industry as it addressed many of the industry concerns and that the ICS Secretariat would find it very beneficial to continue this open and direct dialogue with the ACP in order to address any future concerns more efficiently.

Furthermore, the ICS delegation extended their gratitude to the ACP for effectively managing the challenging prolonged dry season and encouraged the opportunity for any dialogue on this issue, expressing industry support for any environmentally friendly strategies aimed at addressing the rising climate concerns.

## **ACP Overview of Recent Developments**

The Administrator provided an overview of the plans underway by the ACP, starting with a new pricing structure from the year 2026 up until the year 2030, which they have confirmed will be published middle of this year. Other plans include a possibility of creating new Locks (depending on the existing land rights and the outcome of the presidential election), scaling down on smaller charges such as the freshwater surcharge and introducing a new charge for carbon emissions – however, the latter will not be introduced until an industry-approved metric standard is decided on. There are also plans by the ACP to put in further investment in artificial intelligence, mainly for the use of monitoring vessels sailing through the canal.

## **Disruption Charge and Non-Portable Pilot Device Policy**

Furthermore, the requirement for sufficient notice extends beyond issues related to non-portable pilot devices, encompassing any challenges a vessel may encounter before navigating the canal.

During their visit to the Integrated Operations Centre, the ICS delegation raised questions with Engineer Boris Moreno, the Vice President of Operations, regarding potential disruption charges in the absence of a non-portable pilot device on a ship. Engineer Moreno clarified that a nominal disruption fee of \$65,000 would only be applied after a vessel had completed its third transit without adhering to the non-portable device policy. Emphasising the significance of timely communication, Engineer Moreno underscored that vessels should notify canal authorities when lacking a pilot device before transit. This advance notice is crucial for the authorities to make necessary preparations. It was affirmed that failure to provide sufficient notice (defined as notice given any time before an ACP-approved pilot is on board). This would result in a disruption charge, irrespective of the vessel's previous transit history through the canal. Of note, vessels experiencing other setbacks ahead of transiting the canal and which do not provide this sufficient notice to the ACP may also be liable to pay a disruption charge.

## **Measures Taken in Response to the Extended Dry Season**

The ACP emphasised the unprecedented nature of the extended dry season and how, while they have plans to adapt their operations if this continues, in the meantime, they will continue with the current reservation system they have in place. This would mean that the expected reservation slots will be maintained at 24 vessels transiting per day (7 slots for Neopanamax vessels), aligning with the specifications outlined in document No. A-54-2023. This arrangement is set to persist, contingent upon the absence of additional notifications – increasing and decreasing depending on the rainfall experienced– until at least April 2024.

## **Incidents of Damage whilst Transiting the New Panama Canal Locks**

Engineer Moreno acknowledged the issue at hand, concerning the damage created by the inefficacy of the existing fenders when transiting the Canal and mentioned that a new prototype fender system is scheduled to be installed in the first chamber of the Cocoli Locks, with completion expected by June of this year. The installation process is set to commence

during the second fiscal year (January - March). If deemed effective, this system will be expanded to other chambers accordingly. Additionally, plans include the implementation of additional fenders at the lower parts of chambers at Agua Clara Locks, as well as at one of the Cocoli Locks. It was also mentioned that there are plans to open a new office for investigating damage reports due to the delays in the current office.

In addition to the above, during a visit to the Simulation, Research and Development Maritime Training Centre, it was also acknowledged that one of the key ways the ACP is attempting to avoid further damage to vessels while transiting the canal is through better training when renewing licences for pilots and for captains of tugboats.

### **Prospect for the Creation of an ICS/ACP Memorandum of Understanding**

During the delegation's visit, the ACP Vice President for Communications and Corporate Image, Ms Lorena Fábrega, expressed the desire to continue and strengthen the dialogue between the ACP and industry. Administrator Vásquez expressed eagerness to partake in formalising a dialogue agreement between the industry and the ACP. Given this renewed interest in open communication, the Secretariat will work to understand whether and how a potential formal dialogue, perhaps via an MOU, might be established between the ACP and ICS. This would seek to strengthen the communication between the ACP and industry in the same way that the current MOU with the SCA has improved communication with the Suez Canal authority.

### **Conclusion and Future Delegation Meetings**

Formalising the collaboration between ICS and the ACP remains a key objective during delegation visits, emphasising the continued significance of these engagements and allowing more regular and more effective dialogue to take place. This strengthening of the relationship between the two entities will enable ease of communication when any changes occur in managerial and/or price structures.