Pictured: the Port of Suez at the southern end of the Suez Canal, as seen from the International Space Station. Photo credit: United States National Aeronautics and Space Administration.

A crisis of two canals

By SHIPPING AUSTRALIA

Ships often travel by the Suez Canal but many ships are now avoiding the Red Sea because of ballistic missile, and other, attacks from the so-called Houthis, local armed forces operating in Yemen.

The Houthis are affiliated, or, at least, feel affiliation toward, Hamas – the militant Islamist Palestinian group that governs the Gaza strip and which is committed to violently resisting Israel. Hamas carried out a massive and deadly surprise terrorist attack in October 2023. The Houthis have declared their support for Hamas and subsequently began attacking ships that had some perceived connection to Israel. It now appears that the Houthis are attacking many ships in the Red Sea area.

The ocean shipping routes most affected by the attacks in the Red Sea are the Asia-Europe and the alternate East Asia to North America East Coast routes. The Suez Canal lops off a huge amount of distance and time on both of these routes.

Ships on the East Asia to North America East Coast route normally cross the Pacific, sail through the Panama Canal and then head north to the US eastern ports. But sometimes ships have to sail the alternate East Asia to North America East Coast route by sailing the Indian Ocean, through Suez, the Med and then across the Atlantic.

Ships sail this alternate East Asia / North America route when there is a big drought in Panama – and there is a big drought underway in Panama right now. Drought reduces the water level in Gatun Lake, which forms a major part of the Panama Canal.

During a drought, the Canal Authority reduces the number of ship transits it allows through the Canal in any given time (these opportunities to transit are known as “slots”), and it imposes draught restrictions, while it waits for conditions to ease. There is some cause for optimism as, at the time of writing, the Canal Authority has pencilled in an increased number of slots.

Ocean carriers typically have a variety of measures they can deploy during slot restrictions. One of the most effective is forward planning. Shipping companies make sure that ships arrive in good time (not too early, not too late) to meet their slot. Another tactic is to bid an appropriate amount to ensure the slot is available. Ships will likely need to control the amount of cargo that they carry – less cargo equals a shallower draught which means ships can make the allowed transit.

Ships could, in theory, transit around Cape Horn (the far southern tip of South America) but they don’t really do this in practice owing to the massive deviation and costs of deviation (fuel, labour etc), and the extremely rough weather.

Some shipping companies may choose to route via Suez instead – although, as indicated above, in the current geopolitical environment that is challenging. Shippers (i.e. cargo owners) also have options in that they can route over the so-called landbridges – the Canadian landbridge, the US landbridge, the Colombian landbridge and so on.

Vessels on the East Asia to North America route that were already deviating via Suez may now be forced to deviate around the coast of South Africa. That said, it may be more economic to simply wait for (or pay a premium for) a scarce