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Panama Canal expansion: full steam ahead

As the Panama Canal undergoes the biggest transformation since its creation, bunker players, ports and shipping lines are looking at the opportunities that this historic event offers them and the environmental challenges they face.

When it opened in 1914, the Panama Canal was said to have revolutionised sea transport. Ships steaming between California and the US East Coast no longer had to undergo an arduous journey; a 14,000-mile journey around Cape Horn turned into a relatively short 6,000-mile sprint.

Move on 90 years and increasing fuel prices and a growing awareness about shipping's impact on the environment and this reduction in miles has taken on whole new significance.

Today, the Panama Canal Authority (ACP) is undertaking its biggest feat in expanding the canal - spending \$5.25 billion to build a new lane of shipping traffic and create a third set of locks on the Atlantic and Pacific entrances of the canal to facilitate longer, wider ships.

Currently, the largest ships that can use the canal are panamax class capable of carrying around 5,000 standard shipping containers. The new locks will be able to handle post-panamax vessels that can haul twice as many containers. The expansion is expected to double the canal's capacity and potentially send a seismic shock through the business of transporting goods around the globe.

Environment impact

However, with the expansion comes the issue of increased shipping emissions that will impact not only marine life but local residents too.

The ACP realises that with the potential of the canal expansion comes increased risks. As a result the ACP undertook an Environmental Impact Study to examine how the third set of locks would affect the region.

The study showed that ships transiting through the canal pose a



Expansion will add new locks to the canal.

'medium to moderate' threat to air quality deterioration. Then came the biological element; increasing numbers and size of vessels transiting the canal will have a 'medium or moderate' effect on altering the coastal marine ecosystem. On a brighter note the study found that there was a 'very low risk' of major accidents.

In light of the information the ACP initiated the Environmental Management Plan (PMA) to ensure that the expansion project poses a minimal impact on the environment.

"The environmental focus of the project is going well," said Oscar Vallarino executive manager of ACP's Environment Division.

The ACP argues that enabling post-panamax ships to pass through the canal will result in lower costs and reduced global carbon emissions. This shift to larger vessels has been prevalent in all areas of the shipping industry, but in particular in the container shipping industry where members of the Container Shipping Information Service

(CSIS) have invested billions of dollars every year in new larger container ships to reduce costs and mitigate pollution.

"With the canal expansion and the use of larger ships we are promoting a green route concept. Vessels transiting the canal have to change fuel to low sulphur diesel - all these elements will see a reduction in global emissions," Vallarino told Bunkerworld.

With increased traffic also comes the question of how to mitigate the risk of collisions and spills.

"We have an emergency team and we closely monitor the traffic in the canal. The ACP reduces the canal water time and places restrictions on the vessels. It's all about control and risk management," noted Esteban Saenz, executive vice president of the Department of Energy, Water, and the Environment of the ACP.

A great deal of focus has been placed on the impact that the expansion plan is having on marine life, and while areas such as dredging to help widen and deep-

en the navigational channels will continue to be an issue as it disturbs sediment and can harm marine life, the risks to humans can often be underplayed.

The ACP said that currently 70% of the population of Panama uses water from the canal. Any disruption to the water quality, whether through sediment disruption or an oil spill, could have devastating effects.

As a result the ACP have made this one of their top environmental priorities. Through education and ongoing studies the ACP is working to ensure the impact on the water is minimal and improve the quality of life. Each time a ship goes through a lockage, 52 million gallons of water are used. But the ACP has the ability to recycle 60% of the water on each transit.

Then comes the problem of deforestation in the canal watershed which has been reduced and which dramatically affects the water. In turn the ACP has introduced the Selective Reforestation Program and 252 hectares of forest were replanted in the Canal

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PANAMA REPORT

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East versus West

While environmental measures continue to play a big part in the expansion, there is a frenzy among US ports and bunker players, who are getting ready to reap the benefits of the expansion and are already showing signs they are ready to fight for the business.

Currently around 65% of the goods sailing through the canal go to or from US shores. In 2007 the canal handled 310 million tonnes of cargo, an amount officials had not expected to see until 2012 or 2013, figures that only serve to fuel this excitement further.

The Gulf Coast in particular is very bullish on the Panama Canal expansion and many ports and bunker suppliers have told Bunkerworld they are getting ready to expand to deal with the growth.

The US East Coast ports that link with the Panama Canal have received great attention. The Panama Canal has signed agreements with ports including Georgia, Maryland, Massachusetts, Philadelphia, Houston, Tampa, Carolina and Virginia.

"The port of Savannah is one of the largest economic engines in our region and is directly tied to the success of the Panama Canal" said Georgia Governor Sonny Perdue.

Just last month, chief operating officer Curtis Foltz of the Georgia Ports Authority said that "in an effort to complement the Panama Canal's expansion pro-

gram, we are increasing capacity at the port of Savannah and working diligently to gain approval of the Savannah Harbor Expansion Project (SHEP)." Savannah has plans to deepen its river from 42 to 48 feet.

Bunker players on the US East Coast are also expected to benefit from the expansion - as increased traffic will lead to increased bunker volumes.

Traditionally ships bunker before entering the Canal and some bunker suppliers/agents/terminal owners in Panama have complained about excessive bureaucracy, and the need for modern oil terminals and better infrastructure, according to a Panama Bunker Market Study prepared for the Panama Canal Authority.

Although the best location for bunker operations from an environmental view is the Pacific side, near Panama City/Balboa, the increased demand is foreseen on the Atlantic side.

"Panama's bunker market in fiscal year 2000 was some 1.7 million metric tonnes (mt). We have estimated that this figure will grow to above 2.7 million mt and above 3.0 million mt in 2025 respectively for an unexpanded and an expanded Canal. This may demand a new storage facility," the study said.

On the US West Coast there are conflicting reports. It is expected that the US West Coast and California will not experience the same benefit as the East and the US Gulf, due in part to its tightening of environmental regulations.

Over the past year there has



The environment is a top priority.

been what has been described as an "exodus" from the state of California to Texas with some suppliers saying that tightening of environmental regulations, expensive labour and constant congestion are contributing to a saturated infrastructure.

US West Coast ports, however, having already reportedly lost a good market share of Asian cargo to Canadian and US East coast ports, are also hoping they will see the benefits of the expansion.

Future trends

Whether the expansion will result in increased business remains to be seen. Such issues come into play as increased transit fees. Already several companies have claimed that they would be motivated to find alternative navigational routes should the toll rate increase.

While the opportunities of the canal will continue to be monitored, the environmental element

will continue to play a major role in the expansion to ensure the preservation the canal watershed.

A close eye will also be kept on the impacts of carbon footprint of the canal. According to Vallarino the ACP monitor the levels of water at over 60 stations that record climate change. So far, they have not seen any indication of climate change but have said they are "preparing themselves".

"We have done everything we have said we will do. We are concerned about climate change management. The ACP has a social responsibility. We cannot do good business if we do not promote safety and emission reduction. We are trying to influence global decisions on how emissions are going," said the ACP's Esteban Saenz. ■

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