



JAPAN P&I NEWS

To the Members

Panama Canal - New Water Conservation Strategies effective 15 February 2020

We would like to announce the summary of New Water Conservation Strategies by Panama Canal Authority (ACP) which came into effect on 15 February 2020. These Strategies were introduced due to water shortage of Gatun lake, which supplies water to the Panama Canal because of lack of rainfall and high level of evaporation by high temperature. They will make two big effects to transiting vessels.

1. Increase of fees to pass the Canal

A fresh water surcharge, a booking fee and a transit itinerary creation fee will be imposed on transiting vessels.

A fresh water surcharge is applied to all transiting vessels over 125 feet (38.1 meters) length overall. The surcharge amount will be calculated from length of overall transiting vessels and water level of Gatun Lake.

A booking fee, in other words “transit reservation fee” shall be paid in full no later than 48 hours after the slot allocation is confirmed by ACP. If a vessel has been allocated a slot prior to 15 February, 2020, this amount will be paid once the vessel transits.

A transit itinerary creation fee will be applied to vessels with 125 feet (38.1 meters) LOA or more. This fee amount depends on the length of beam. This fee shall be paid no later than 48 hours after acceptance of the transit itinerary by ACP.

2. Decrease of Prebooking Slots

The total number of daily booking slots was decreased from 31 to 27 slots. Details are as follows;

- up to 90.99 feet in beam: 6 slots
- up to 107 feet in beam: 13 slots
- over 107 feet in beam: 8 slots (unchanged)

For Further Details, please see the circulars issued by ACP.

Yours faithfully,

The Japan Ship Owners' Mutual Protection & Indemnity Association

Attachment: Panama Canal Authority, Press Releases (Date: 13-JAN-2020)

Panama Canal Authority, ADVISORY TO SHIPPING No. A-02-2020

Panama Canal Authority, ADVISORY TO SHIPPING No. A-03-2020

Press Releases

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Panama Canal to Adopt Measures to Ensure Water Availability & Route's Reliability

Date: 13-JAN-2020

- *Following an extended period of low rainfall, the waterway will implement changes to sustain water levels and minimize impacts on customers.*

Panama City, Panama, January 13, 2020 - Due to changing rainfall patterns and historic low water levels at Gatun Lake, the main source of water for the waterway, the Panama Canal announced today that it will implement a series of new measures beginning February 15 to sustain an operational level of water and provide reliability to customers while it implements a long-term solution to water.

Despite the use of extensive water-conservation measures, this past year's rainfall was 20 percent below the historic average and the fifth driest year in 70 years. It follows several years of lower than average rainfall coupled by a 10 percent increase in water evaporation levels due to a 0.5-1.5 degree Celsius rise in temperature.

Without fee and operational changes, the Canal's water levels are projected to drop to levels that would affect the Neopanamax and Panamax Locks. These new measures are intended to better provide reliability in water levels and therefore transit schedules.

The measures include the following components:

Freshwater Surcharge

- A new freshwater fee will be applied to all vessels over 125 feet in length overall (LOA) that transit through the Panama Canal. In addition, a variable fee ranging from a minimum of 1 percent to a maximum of 10 percent of the vessel's toll will be applied depending on Gatun Lake levels at the time of transit (i.e. if the lake has a higher level, the percentage will be lower and vice versa).

Adjustments to the Booking System

- The Panama Canal will adjust the number of daily reservation slots available to 27, replicating the total offered during lane outages. The waterway will also require that each vessel pays its booking fee in full no later than 48 hours depending on the booking period.
 - Regulars (up to 90.99 feet in beam): 6 slots
 - "Supers" (up to 107 feet in beam): 13 slots
 - Neopanamax: 8 slots (unchanged)

- One slot for supers and one slot for regular vessels will be awarded through the auction process three days before transits. Nonetheless, the Canal will continue to provide additional capacity when possible, serving vessels on a first-come, first-serve basis.

Vessel Visit Creation Fee (ETA Handling Fee)

- A handling service fee will be applied to all visits for transit at the time they are created in the system. The processing fee will be applied as follows:
 - For vessels 91 feet in beam and over: \$5,000.
 - For vessels over 125 feet LOA, but less than 91 feet in beam: \$1,500.
- The fee will be deducted from the vessel's tolls invoice once the vessel begins transit. If the vessel cancels the visit and does not transit, the Vessel Visit Creation Fee will not be refunded. All visits created prior to February 15, 2020 will be honored and will not be required to pay this fee.

Together, the new measures will allow the Panama Canal to better anticipate the number and type of ships transiting the waterway, and therefore allocate water resources accordingly.

In order to plan accordingly, customers will be provided with real-time data on current and projected levels of Gatun Lake, available maximum drafts, and number and types of transits when requesting transits or making reservations. The official lake levels will be published daily, as well as forecasted for the following 2 months.

The decision to adopt such measures was taken following an evaluation of the impact of innovative techniques already instituted to save water used in the Canal's operations. For example, the Panama Canal has been implementing cross-filling lockages, a technique that sends water between the two lanes at the Panamax Locks during transits and saves an amount of water equivalent to that used in six lockages each day. Other ongoing water-saving measures adopted at the Panama Canal include:

- Suspension of power generation at the Gatun Hydroelectric Plant
- Elimination of hydraulic assistance at the Panamax Locks
- Tandem lockages, which involves two ships transiting at the same time, when vessel size allows
- Use of water-saving basins at the Neopanamax Locks

In addition to these measures, the Panama Canal will expand its investment program to include projects focused on addressing the sustainability of the water supply in the medium and long-term. The Panama Canal will continue to dedicate a portion of its income to analyzing and identifying solutions to the problem of water availability in the watershed.

About the Panama Canal

The Panama Canal Authority is an autonomous legal entity of the Republic of Panama in charge of the operation, administration, management, preservation, maintenance, and modernization of the Panama Canal, as well as its activities and related services, so that the Canal may operate in a safe, continuous, efficient manner. For more information, please refer to the Canal's website: <http://www.pancanal.com> or follow us on Twitter [@thepanamacanal](https://twitter.com/thepanamacanal).

AUTORIDAD DEL CANAL DE PANAMÁ
VICE PRESIDENCY FOR TRANSIT BUSINESS**ADVISORY TO SHIPPING No. A-02-2020**

January 13, 2020

TO : All Shipping Agents, Owners, and Operators
SUBJECT: Panama Canal Water Conservation Strategies

During the past seven decades, the average yearly global surface temperature has risen steadily. The precipitation registered in the Panama Canal watershed during 2019 was approximately 20 percent below the historical average, resulting in Gatun and Madden Lake levels to drop below expected norms.

Despite water conservation efforts implemented to date, the Panama Canal Authority (ACP) finds it necessary to implement additional water conservation strategies in order to provide the best possible service to our clients for the upcoming year and the years to come.

Therefore, effective February 15, 2020, the following modifications will be in effect:

1. Fresh Water Surcharge.

A fixed fee of US \$10,000 will be applied to all transiting vessels over 38.1 meters (125 feet) in LOA. In addition, a variable fee ranging from a minimum of 1 percent to a maximum of 10 percent of the vessel's toll will be applied. The percentage to be applied will depend on Gatun Lake level at the time of transit. The official lake level will be published daily, as well as forecasted for the following 2 months.

2. Booking System.

- Condition 1.a will be in effect for the Panamax Locks, offering a total of 27 reserved transit slots (8 slots for Neopanamax vessels, 13 for supers and 6 for regulars).
- Slots allocated during booking periods 1, 1.a, and 2 (including the special booking period for passenger vessels) shall be paid in full no later than 48 hours after confirmation by the ACP that the slot has been awarded. For booking period 3, vessels will have 24 hours to secure payment. Failure to comply with this requirement will result in loss of the awarded slot.
- One slot for supers and one slot for regular vessels will be awarded through the auction process during the 3rd period only. The auctioned slots will only be offered after all the normal booking slots for either supers or regulars have been allocated. Slots cancelled during the 3rd period will be offered through the Auction Process, if there are no more slots available.
- Vessels that have already been awarded a booking slot prior to February 15, 2020, will be charged the booking fees at the time of transit.

3. Vessel Visit Creation Fee (ETA handling fee).

A handling service fee will be applied to all visits for transit at the time they are created in VUMPA. The processing fee will be applied as follows:

- For vessels 91 feet in beam and over: \$5,000.
- For vessels over 125 feet LOA, but less than 91 feet in beam: \$1,500.

This fee will be deducted from the vessel's tolls invoice once the vessel begins transit. If the vessel cancels the visit and therefore does not transit, the abovementioned charge will not be refunded. Visits that are cancelled due to substitutions will not be assessed the Visit Creation Fee. Failure to comply with this requirement will result in the cancellation of the visit in VUMPA.

All visits that have already been created prior to February 15, 2020 will be grandfathered in and will not be required to pay this fee.

Further inquiries on the subject matter shall be directed to customerrelations@pancanal.com

ORIGINAL SIGNED

Ilya R. Espino de Marotta
Acting Vice President for Transit Business

AUTORIDAD DEL CANAL DE PANAMÁ
VICE PRESIDENCY FOR TRANSIT BUSINESS**ADVISORY TO SHIPPING No. A-03-2020**

January 28, 2020

TO : All Shipping Agents, Owners, and Operators

SUBJECT: Implementation of Modifications Related to the Panama Canal Water Conservation Strategy

Pursuant to the modifications announced by the Panama Canal Authority (ACP) in Advisory to Shipping A-2-2020, the following additional information is provided:

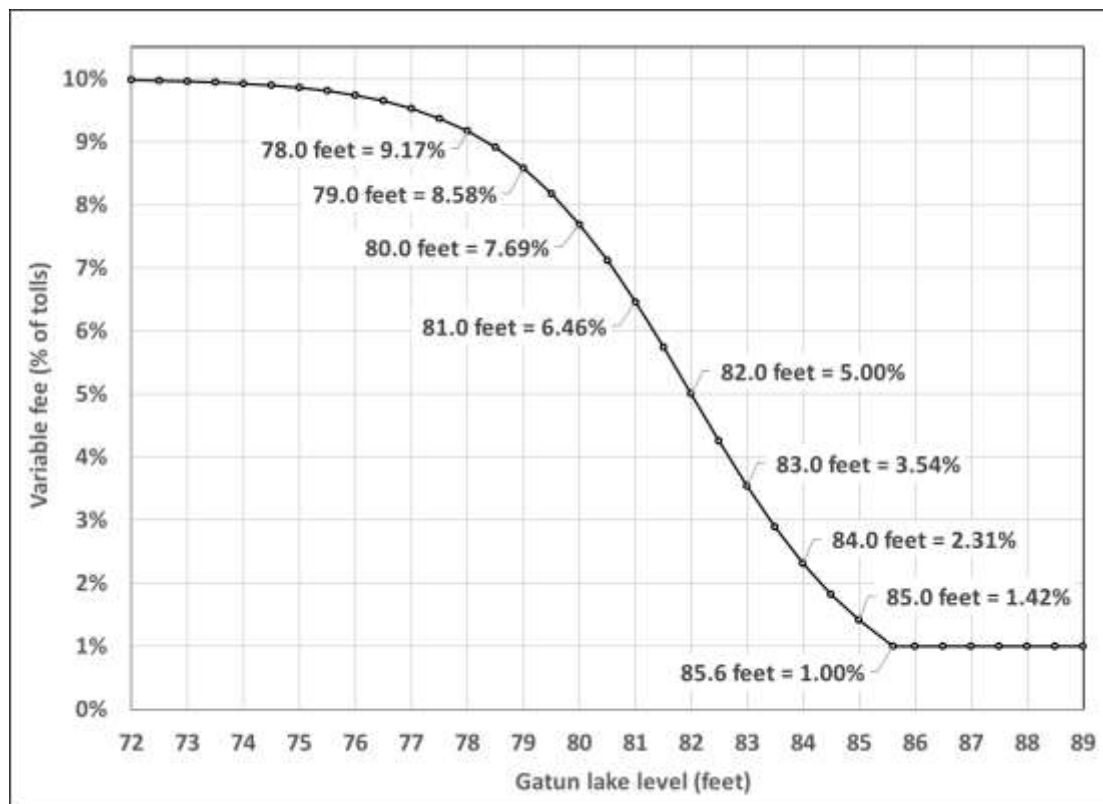
1. **Fresh Water Surcharge.** Effective February 15, 2020, a fresh water surcharge will be applied to all transiting vessels over **125 feet (38.1 meters)** length overall (LOA). This charge will consist of both a fixed component and a variable component, as follows:
 - a) A fixed component applied based on overall vessel length (LOA):
 - \$2,500 per transit to vessels with LOA over 125 feet (38.1 meters) and up to 200 feet (60.96 meters);
 - \$5,000 per transit to vessels with LOA over 200 feet (60.96 meters) and up to 300 feet (91.44 meters);
 - \$10,000 per transit to vessels with LOA over 300 feet (91.44 meters).
 - b) A variable component ranging from a minimum of 1 percent of the vessel's tolls, when Gatun Lake level is above **85.5 feet**, to a maximum of 10 percent of the vessel's tolls, when Gatun Lake level falls below **72.0 feet**. The percentage used to calculate the variable component applicable to each vessel will be based on the level of Gatun Lake on the day prior to the transit, and will be calculated daily using the following formula:

$$f(x) = \begin{cases} \frac{0.10}{1 + e^{0.6(x-82)}}, & x \leq 85.5 \\ 0.01, & x > 85.5 \end{cases}$$

Where x is the level of Gatun Lake in feet, rounded to one decimal place, as registered at 1200 hours on the day prior to the vessel's transit. This percentage will be applied to all vessels transiting on the following day.

The level of Gatun Lake will be published daily, together with the projected level for the next 60 days.

For your guidance, the following graph illustrates the value of the fresh water percentage applicable to each level of Gatun Lake:



2. Payment of Transit Reservation (Booking) Fees.

Beginning February 15, 2020, the booking fee for all slots allocated during Booking Periods 1, 1.a and 2, including the special period for passenger vessels, shall be paid in full no later than 48 hours after confirmation by the ACP that the slot has been awarded. If the guarantee is not received within the required time, the booking slot will be voided.

For slots awarded during Booking Period 3, the booking fees will be charged once the vessel begins its transit, in the same manner as tolls and other transit-related fees.

Similarly, booking fees for slots that were allocated prior to February 15, 2020, will be paid once the vessel transits, in the same manner as tolls and other transit-related fees.

3. Modifications to the Auctioned Booking Slot.

Two additional slots will be offered through the auction process, one to *supers* and one to *regular* vessels, during the 3rd period only, in any booking condition in effect at the time. These slots will only be available once all the normal booking slots available for that date, for either supers or regulars, independent of each other, have been allocated.

In addition, any slot that becomes available during the 3rd booking period due to cancellations, change in date, early transits of pre-booked vessels, or any other reason, will be offered through an auction process, provided that all slots for that particular vessel category (*Neopanamax*, *supers* or *regulars*) have been awarded. If there are no vessels interested in the slot, it will become available to any interested vessel on a *first-come, first-served* basis after the auction is closed.

Since these auctioned slots may require that interested vessels meet particular conditions, such as transit direction and vessel restrictions, these conditions will be announced when the auction is published.

4. Transit Condition Change.

Beginning Saturday, February 15, 2020, and until further notice, **Condition 1.a** will be in effect for the Panamax locks. Applications for reserved transits under this booking condition will be received beginning at 0900 hours, Wednesday, February 12, 2020.

5. Just in Time Transit (JIT).

The Just-In-Time transit slots available for supers will be reduced to one for each direction until further notice, and the JIT slot for regular vessels transiting without restrictions will remain at one for each direction. The additional slots for regular vessels less than 300 feet LOA will no longer be offered.

6. Transit Itinerary Creation Fee.

A handling service fee will be applied to every transit itinerary at the time the itinerary is created for vessels with 38.1 meters (125 feet) LOA or more, as follows:

- For vessels less than 27.74 meters (91 feet) in beam (*regulars*): \$1,500 per transit itinerary.
- For vessels between 27.74 meters (91 feet) and 32.62 meters (107 feet) in beam (*supers*, including *Panamax plus*): \$5,000 per transit itinerary.
- For vessels with beams of more than 32.62 meters (107 feet) (*Neopanamax*): \$5,000 per transit itinerary.

The above-mentioned fee shall be paid no later than 48 hours after confirmation by the ACP that the transit itinerary has been accepted. Vessels that do not comply with the 96-hour pre-arrival notification requirement (short ETAs) will have 24 hours for the placement of the guarantee. Failure to provide the proper guarantee or payment of the processing fee prior to the times established by the ACP will result in the cancellation of the transit itinerary.

The above-mentioned fee will be deducted from the vessel's tolls invoice once the vessel transits. If the vessel cancels the transit itinerary, this fee will not be refunded.

Transit itineraries that are cancelled for purposes of booking substitutions will not be assessed the Transit Itinerary Creation Fee. In these cases, the fee may be

NT, January 28, 2020

Subject: Implementation of Modifications Related to the Panama Canal Water Conservation Strategy

transferred to the substituting vessel, in compliance with the Transit Reservation System Rules, provided that both vessels fall within the same category (Neopanamax, super, regular).

Vessels less than 125 feet (38.1 meters) LOA are not required to pay this fee when creating their transit itinerary. Similarly, vessels arriving to Canal waters for a Local Call only (no transit) will not be assessed the transit itinerary creation fee. However, if the visit changes status from Local Call to Transit, then the fee will be assessed.

Since swapping booking slots does not involve cancellation of itineraries, additional itinerary fees will not be applied.

Itineraries created prior to February 15, 2020, will be grandfathered and not required to pay the Transit Itinerary Creation Fee.

Further requests for clarification may be directed to customerrelations@pancanal.com

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