

Advisory

Suez Canal Update

29 Jun, 2021 | Share



Various sources have confirmed that an agreement to release Ever Given could be possible soon. The latest update from the Shipowners published 25th June 2021 by the average adjuster states:

28 June 2021 Update #9

Various sources have confirmed that an agreement to release Ever Given could be possible soon.

The latest update from the Shipowners published 25th June 2021 by the average adjuster states:

"Following extensive and difficult negotiations with the SCA's negotiating committee over the past few weeks, Owners can confirm that an agreement in principle between the parties has been reached. While there remains work to be done in finalising the agreement, Owners are hopeful that the matter will be resolved in the near future. Once these formalities have been dealt with, arrangements for the release of the vessel will be made."

After that, when all further formalities with General Average Bond or Guarantee are fulfilled, your local SGL office will be able to assist you with the final delivery of your goods.

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02 June 2021 Update #8

There is still no solution in place of releasing the Ever Given from the arrest made by the Suez Canal Authority ("SCA") on April 13, 2021.

The Shipowners are in negotiations with the SCA, and several hearings have been held. During the latest hearing, the SCA and Shipowners agreed to continue their negotiations, and the Court has ordered the case to be adjourned until June 20, 2021.

The latest update from the Shipowners published by the average adjuster June 1, 2021, states:

"We wish to provide you with a further update regarding the claim by the Suez Canal Authority ("SCA"), and the steps Owners are taking to try to resolve the matter for the benefit of Ship, Cargo, and other property interests.

As you know, the vessel was arrested by the SCA on April 13, 2021, against the unprecedented sum of USD 916m. Negotiations with the SCA are ongoing to try and amicably resolve this matter.

Several hearings have occurred in Egypt, the most recent one being the hearing on May 29, 2021. At the May 29 hearing, the SCA and Owners jointly agreed that the case should be adjourned to allow negotiations between the parties to continue. The Court subsequently ordered that the case be adjourned to June 20.

Owners are doing their utmost for the benefit of Ship and Cargo to settle the claim at a reasonable level and to secure the release of the vessel as quickly as possible.

A breakthrough has not yet been achieved. The SCA's last offer was in the sum of USD 550m (reduced from USD 916m) and comprised a demand for USD 200m cash and a USD 350m bank guarantee.

Owners have meanwhile made a counter-offer of USD 150m in full and final settlement of the claim. A number of meetings have been held since these offers were made, but unfortunately, the SCA has not made a further reduction to its claim.

While the progress of the negotiations is slow, we remain confident that Owners will do their best to achieve an outcome that is in the best interests of Ship, Cargo, and other property interests. No payment will be authorized by Owners unless it is deemed to be reasonable in the circumstances".

We will continue to follow the development, and we will keep you advised of the outcome.

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07 May 2021 Update #7

On Tuesday, the Egyptian court ruled that the container ship which blocked the Suez Canal in March could continue to be held in the waterway, rejecting an appeal by its Japanese owner against its detention.

Ever Given has been held by the Suez Canal Authority (SCA) against Japanese owner Shool Kisen for compensation of \$916 million for the incident. The SCA has been conducting investigations into the cause of the ship's grounding but has yet to announce the results.

The reasoning for the ruling was not immediately clear, but the SCA argued that the plaintiff had not notified all the required parties of its challenge to the ship's detention within the required time limit.

The ship's protection and indemnity insurer, UK Club, say the owners were reviewing their options to appeal in light of the decision and have until May 20 to do so.

This update is based on a Reuters update.

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27 April 2021 Update #6

On April 14th, 2021, The Suez Canal Authority (SCA) formally arrested the Ever Given.

The arrest happened after an Egyptian judge granted the SCA permission to seize the vessel after lodging a \$916M compensation claim against its Japanese vessel owner.

The SCA intends to maintain the vessel's arrest until the claim is paid.

Claim for compensation

Until now, the canal authority has only made a specific claim for compensation against the ship's owner. However, the ship's insurance company UK P&I does not believe that there is a basis for compensation of that magnitude and has therefore appealed the local court's decision to detain the container ship.

In its appeal, the UK P&I Club claims that the Suez Canal has not provided evidence that the canal has suffered a loss equivalent to the \$916 million they claim in compensation.

Scheduled hearing

A hearing is scheduled for the appeal case on May 4th, 2021. There is no indication that Ever Given or its cargo will be allowed to leave the canal before the hearing.

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16 April 2021 Update #5

The Suez Canal Authority (SCA) formally arrested the Ever Given on April 14th, 2021.

An Egyptian judge granted the SCA permission to seize the vessel after lodging a \$916m compensation claim against its Japanese vessel owner.

The SCA says it intends to maintain the vessel's arrest until the claim is paid. This position has caused fury among the ship's insurers and ship managers and led Evergreen to investigate whether it could use a court order to treat vessel and cargo separately. The SCA claim includes \$300m for salvage and \$300m for "loss of reputation".

To lift the arrest order as soon as possible, Evergreen urges all concerned parties to facilitate a settlement agreement to be reached as quickly as possible.

The official statement received from Evergreen is found here.

We will keep you notified once we have received further information.

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06 April 2021 Update #4

Since the re-floating of the Ever Given on March 29 and further re-opening of the Suez Canal, the vessels delayed by the incident have transited through the Canal in convoys (Eastbound and Westbound).

The entire backlog of vessels is cleared.

All carriers are working on schedule recovery plans to minimize the impacts of the delays and avoid blank sailings.

General Average announcement

The owners of Ever Given announced General Average last Friday, why additional time will be required before the containers onboard will be available.

Ever Given's resume of her voyage yet unknown

There are no reports of damage to the cargo on board.

So far, no official information has yet been received as to when Ever Given will be able to resume her voyage to northern Europe.

Revised schedules

We will keep you notified as soon as we receive further information about Ever Given's revised schedule.

The same applies to the revised schedule of all vessels affected by the Suez incident.

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30 March 2021 Update #3

The high spring tide Monday afternoon allowed salvors to re-float the vessel M/V Ever Given and unblock the waterway. She will now be towed to the Bitter Lakes area for technical inspection, opening up the channel for traffic resumption.

There are +350 vessels of all types waiting to transit the Suez Canal. Estimates are that it will take 4-7 days to clear the backlog of vessels; however, the first vessels from the Southside of the canal have received the green light to proceed, so there is actual progress.

On average, some 50 vessels pass through the Suez Canal per day, but authorities say that maximum capacity is as high as 100 vessels per day depending on weather conditions.

Ripple effects of the blockage

Focus now turns to the ripple effects of this incident.

Apart from the actual delays of vessels, port congestion remains the biggest challenge, with many vessels expected to arrive at destination ports at virtually the same time.

Another effect will be the actual cancellation of sailings as vessels are missing in the normal rotation, affecting the empty repositioning of container equipment.

The consequences are likely to affect several months coming on top of a long period of supply chain disruption around the world

Overview of vessel arrival times

At the moment, we are creating an overview of updated vessel arrival times.

Our local customer teams will share all information as it becomes available.

We again encourage you to proactively prioritize the most critical shipments and urge you to consider alternative transport modes amongst other Sea/Air, rail, and airfreight.

We continue to keep you informed of the latest developments.

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29 March 2021 Update #2

As this Monday marks a new week, the salvage efforts to afloat the Ever Given start to make progress.

The Ever Given now has water under her bow again and has moved slightly from her gridlock position. The initial plan was to free the vessel this past weekend; however, the best chance is believed to be during Monday, when a spring tide will raise the canal's water level as much as 18 inches.

The current Suez Canal blockage is causing one of the most significant disruptions to global trade in recent years. With the canal remaining closed for all maritime traffic, several ocean container carriers have decided to utilize the option of sailing around the Cape of Good Hope. While three hundred vessels are waiting for the canal to be cleared, most carriers are expected to opt for this re-routing due to uncertainty of when passage through the Suez Canal will again be possible.

This will lead to increased transit times of approximately one week and higher fuel costs; however, for now, no information is available on potential cost impact.

Further disruption is expected when the canal re-opens with the huge backlog of ships waiting to pass through the canal.

This has the implication of creating further bottlenecks due to a surge of arrivals to the ports of destinations with heavy port congestion as a consequence.

We expect the delays and re-routings to affect both vessels and empty equipment repositioning for several months. With container carriers being cautious of building further backlogs, we also expect that sailings during the coming weeks from Asia and Europe will be affected. Specifically, we expect many cancelled sailings, and thereby total space allocation to be reduced significantly, putting further strain on an already strained industry.

For this reason, we encourage all of our customers to prioritize the most important and critical shipments in the coming weeks in close dialogue with our customer service teams.

We also actively encourage you to look into alternative transport modes, be it rail freight, sea/air, or airfreight for your most critical shipments, and our customer teams are at your service to provide further info on these options.

For shipments already affected by this issue, we will provide further information as soon as it is available, and you will be contacted directly by our customer service teams. We will continue to keep you informed as the situation develops.

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26 March 2021 Update #1

The Suez Canal has been closed for transit since 23 March due to a blockage by the container ship MV Ever Given while transiting on her westbound voyage.

To the best of our knowledge, no injury, damage to cargo, or pollution is reported.

Refloating attempts with tug boats' assistance have been carried out since 23 March but so far failed. A more effective salvage plan is currently being designed in collaboration between the vessel owner and the Suez Canal Authorities. No definitive rescue timeline is yet available.

How does it affect the regular cargo flow?

Day by day, traffic west and eastbound is impacted with vessels lining up in both directions.

The current supply chain congestion is affected, and for each hour the vessel remains wedged in the canal, delays are added to the regular cargo flow.

Currently, we don't know when the situation will be solved and are monitoring it closely.

Delayed shipments handling

Regarding delayed or affected shipments, we will provide you with further information as soon as possible.

What if your cargo is affected?

You will be contacted directly by your local office to make further plans and mitigate the situation if your cargo is affected.

Impacts on Rail from China to Europe

Already, we see an impact on Rail from China to Europe with possible rising rates and equipment issues. We will keep you up to date as the situation evolves. If you have any questions, please reach out to your contact at Scan Global Logistics.

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