

Drought at the Panama Canal delays energy shipments, increasing shipping costs



A drought is limiting ship traffic through the Panama Canal. The resulting delays caused shipping rates through the Panama Canal for Very Large Gas Carriers (VLGCs) to reach record highs, which increased the cost of shipping [liquefied petroleum gas](#) (LPG) from the United States.

According to the Panama Canal Authority (APC), water levels at Gatún Lake are the [lowest since at least 1995](#) as a result of an extended dry season and lower-than-normal precipitation on the Panama Canal. Gatún Lake is the artificial lake that vessels pass through to transit between the Atlantic and Pacific locks, and it holds the water supply needed to operate the lock systems of the canal.

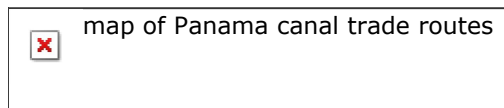
In response to the low water levels, the APC enacted transit restrictions to [conserve water](#) beginning in January 2023. The number of vessels allowed to transit the canal [was limited to 31 per day](#) on July 30 and will be further restricted to 30 per day on November 1, down from its typical 36 per day. The transit restrictions have resulted in long delays; in August, [more than 160 vessels](#) had to wait to transit the canal.

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In August, Neopanamax-sized ships traveling through the locks had to wait at least 17 days to pass through the canal in all directions of travel. The unpredictability of waiting days resulted in some vessels, especially VLGCs, returning empty (ballast) from East Asia back to the U.S. Gulf Coast via alternative routes such as the Suez Canal or around the Cape of Good Hope, according to ship tracking data.



**Data source:** U.S. Energy Information Administration

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The Panama Canal is a major energy transit point. The Panama Canal is important for trade between the United States and East Asia and the western coast of South America. Vessels carrying petroleum products, hydrocarbon gas liquids (HGLs), and chemicals **make up one-third of trade transiting the canal**. Specifically, chemical tankers make the most transits, and HGL vessels (including VLGCs and Very Large Ethane Carriers) carry the most cargo by volume. Higher demand for U.S. propane in East Asia as a petrochemical feedstock is increasing demand for ship traffic through the Panama Canal and also contributing to the delays that are making this route **a larger chokepoint**.

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