



Genoa, 20th December 2023

## CUSTOMER ADVISORY #3 | IMPACT ON SUEZ CANAL TRANSIT AND INTERNATIONAL TRADE

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Dear Esteemed Customer,

We are reaching out to provide you with the latest updates concerning the ongoing situation in the Red Sea, which continues to significantly affect shipping routes and operations.

As of today, there have been no substantial changes in the situation compared to yesterday. Most major container lines persist in bypassing Africa due to the persistent challenges in the Red Sea region. While a few specialized carriers with smaller vessels continue to navigate the area, the majority have opted for alternative routes.

It's important to note that the largest vessels previously stalled in the Red Sea are now rerouting back to the Suez Canal and re-entering the Mediterranean Sea. This will result in an additional cost of approximately 500-600,000 USD per vessel for re-passage through the Suez Canal.

The formation of the anticipated military coalition to address this situation is underway but is expected to take some time to reach full operational capacity.

Consequently, it's probable that these route deviations will continue into 2024. This presents a significant implication for carriers: starting from January 1st, vessels deviating around Africa will be subject to carbon taxation under the new ETS rules in the EU due to the prolonged voyage from Asia.

The impact of this situation is particularly pronounced for countries heavily reliant on Red Sea ports, notably Saudi Arabia and, to a lesser extent, Jordan. Saudi ports along the Gulf Coast are anticipated to face congestion and capacity shortages, affecting inland transportation from these ports.

These factors will substantially affect the supply chain in the coming weeks, causing disruptions and an unforeseen rise in freight costs.

To mitigate this situation, we recommend considering the following actions:

- Ensuring all cargo is insured against potential ship/cargo losses, potentially without war/piracy exclusions.
- Pre-planning the supply chain to avoid shortages of goods by increasing stocks to minimize the impact of longer transit times.

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We acknowledge the potential challenges and disruptions this situation may pose to your operations. Please don't hesitate to contact us for further assistance or clarification on any concerns you may have.

Thank you for your continued trust and partnership.

Best regards,  
ISCOTRANS SPA

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