



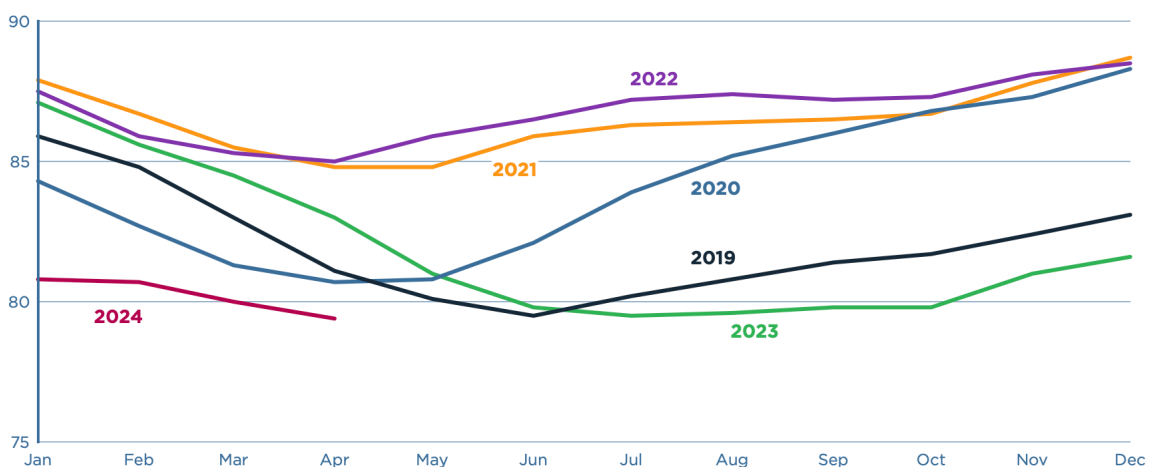
Will it affect worldwide shipping costs ? - very likely

Gatun Lake's lower water levels imperil the Panama Canal in 2024

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Gatun Lake average water levels, feet, 2019-24



Projected water levels at the largest and most important artificial freshwater lake that makes passage through the Panama Canal possible are at their lowest in the last five years since the Panama Canal Authority (ACP) began recording data in 1965. For 2024, water levels in March and April at Gatun Lake are projected to be lower than the start of the year, at only 80 feet in March and 79 feet in April.

These historically low levels have forced the ACP to reduce daily traffic in the canal from 36 to 24 vessels and limit the allowable draft size. These limitations are affecting energy product carriers, container vessels, and ships transporting grain from the United States.

The fall in water levels has been attributed to less rainfall in the Amazon rainforest, which was hit by the worst drought in its recorded history in 2023. The effects of the El Niño climate pattern, which normally causes drought on South America's Pacific Coast, is likely to also be a main cause of dry conditions in Panama. More broadly, climate change and deforestation in the area are also causing the lake to dry up.

Panama is trying to address the canal water level drop-off by pumping seawater or redirecting rivers into Gatun Lake. But these efforts are problematic because the lake serves as Panama's main source of drinking water. The South American countries in the

Amazon basin need to ramp up initiatives to reduce forest loss, for example controlling illegal activities such as farming and grazing in the rainforest. In addition, the United States needs to play a greater role in helping countries in the region fight these illegal activities that cause forest loss.

If this water level trend continues, the Panama Canal risks extinction. This fate would endanger global trade, and US exports and imports, and would in turn threaten regional political stability.

This PIIE Chart is adapted from Monica de Bolle's blog post, The Panama Canal may dry up because of Amazon deforestation.