From: C.Fernie & Co S.A.

February 4th 2020

**REF: WATER CONSERVATION STRATEGIES AT THE**

**PANAMA CANAL - DRAFT SITUATION - TRANSIT**

**PREBOOKING CHANGES**

Further to our January 28th Canal Water conservation update, the Canal Authority

provided additional clarifications during a seminar held on Thursday January 30th,

which included the following:

**Water Surcharge:**

- There is NO expiration date for the "fixed" nor "variable" surcharges, and they are

   both here to remain   permanently, as part of the "normal" transit expenses, in order

   to help fund projects that are intended   to guarantee fresh water supply for the

   Panama Canal over the next four to ten years and beyond.

-  FYG, the Canal Authority Hydrologists informed that about 50% of Republic of Panama

   population depends     on the Canal basin lakes Madden (Alhajuela) and Gatun for

   potable water source, which takes priority over supplying the Canal Authority for the

   water supply to operate the Panama Canal.

-  The "fixed" Fresh Water surcharge will be subject to vessel (LOA): USD $2,500.00

    (125 to 200 FT LOA); USD $5,000.00 (200 to 300 FT LOA); and USD $10,000.00

    (300 FT and over).

- The deciding factor for the percentage of the "variable"  fee will be the level of Gatun

   lake. Based on the projected lake level at the time of implementation on Feb 15th, the

   variable fee is expected to be set somewhere between 4% to 5% of the Canal tolls for

   each respective vessel.

-  The Canal Authority will provide a platform that will allow 60-day real-time projection

    on Gatun Lake levels in order to determine the expected "variable" surcharge.

- Once the rains start and the lake level reaches 85.5ft and over, the variable fee will

   be set at 1% and will stay at 1% for as long as the Gatun lake level remains greater

   than 85.5ft.

**Restrictions in Transit Capacity and the reduction in the number of Prebooking**

**slots:**

- The Canal Authority have reiterated that an average of **30 lockages** will be scheduled

   on a daily basis from Feb 15th to May 15th or until levels in Gatun lake begin to rise.

- The above will be a reduction of the approx 35 lockages which is the current number

   being scheduled now as the result of certain Water Conservation measures that are

   already in place since October 2019

- In past years with water shortages, the Canal Authority have dealt with the matter through

   the reduction of the max allowable transit drafts and NOT by limiting the number of lockages.

   The drastic reduction in the number of daily lockages is likely to cause large queues due

   waiting time for transit.

- The intended 30 lockages per day is a combined number for the Neo (New) locks and the

   Panamax (Old) locks. This means that the Panamax locks will be handling around 20

   lockages per day which is the equivalent to having one lane closed for maintenance works.

   The main difference here is that maintenance works are usually limited to a maximum of

   2 weeks whereas in this case, we are looking at an extended period from mid Feb to mid

   May and possibly beyond.

**Changes to the Prebooking rules:**

- The Prebooking system continues to be heavily utilized with 2nd period slots being taken

   well in advance of the transit dates desired.

- The Prebooking system will begin to operate under **Condition 1.a**which reduces the total

   number of daily booking slots from 31 to **27 slots.**There will be a total of **19 slots** for the

   Panamax locks (13 for Large-Supers-Panamax vsl and 6 for regular vsls) and a total of **8**

**slots**for Neo-Panamax vessels.

- There will now be a total of**TWO**additional booking slots offered through the auction process,

   one for Supers and one for Regulars, during the 3rd booking period only, regardless of the

   booking condition in effect at the time. These auctions slots will only become available once

   all the "normal" booking slots for that date, for either Supers or Regulars, independent of

   one another, have been allocated.

- It is highly recommended to try to Prebook vessels transits as early as reasonably possible

   as the booking slots will be in extremely high demand considering the reduced number of

   lockages and the anticipated delays

- Beginning on Feb 15th, 2020, the Prebooking fees for all slots allocated during the Booking

  Periods 1, 1.a, 2, including the special period for passenger vessels, must be paid in full

  no later than 48 hrs after the confirmation has been received by the Canal Authority

  that a slot has been awarded to the vessel.

- Lack of payment confirmation within 48 hours will void the transaction, losing the

  booked slot awarded and return to a "non-booked" status.

- The Panama Canal Authority invoices for these payments will become available within a

   period of 5 to 7 working days, on average, after payment has been processed by the

   Canal Authority.

**Vessel Visit Creation Fee (ETA handling fee):**

**-**A handling service fee will now be charged by the Canal Authority, at the time an ETA with

  a transit itinerary is created, for all vessels with 38.1 meters (125 feet) LOA or more, as

  follows: (Per Transit Itinerary/ETA created)

* USD 1,500 for vessels with beams less than 27.74 meters (91 feet)
* USD 5,000 for vessels with beams between 27.74 meters (91 feet) and 32.62 meters (107 feet)
* USD 5,000 for vessels with beams greater than 32.63 meters (107 feet)

The above-mentioned fee shall be paid no later than 48 hrs after confirmation by the Canal Authority

that the ETA and transit itinerary have been accepted. This fee will be deducted from the vessel's tolls

invoice on completion of transit. If the ETA and visit is cancelled this fee will NOT be refunded.

- Failure to comply will result in the cancellation of the ETA/Transit Visit

- Short ETA's (created less than the minimum 96hrs) will require payment (via bank guarantee)

   within 24 hrs of the ETA/Visit creation to avoid cancellation of the visit.

We shall continue to keep you updated with further advisories and information as/when received

from the Canal Authority

Best regards

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