

Red Sea crisis rerouting adding up to \$300,000 in fuel costs



As shipowners and charterers avoid the Red Sea due to Houthi attacks and divert via the Cape of Good Hope they are faced with a hefty additional fuel bill.

Hong Kong Correspondent | Mar 20, 2024

Many responsible shipowners and charterers are saying they will not transit through the Red Sea and the Suez Canal because of the inherent risk that exists, said Angad Banga, COO of the Caravel Group which owns one of the world's largest ship managers Fleet Management.

Banga explained at a Hong Kong Foreign Correspondents' Club event on Tuesday although it is perceived that only vessels that are US, UK, or Israeli-owned or

controlled are targeted and at risk, the reality is that is not what's happening and targets that are not from those countries have been hit.

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The costs of these diversions are significant. Banga estimated that re-routing through Cape Town could add around \$200,000 - 300,000 fuel cost per trip from Asia to Europe, assuming 15 extra days of voyage, consumption of 30 tonnes of fuel per day and \$650-700 per metric tonne of fuel.

The current price of very low sulphur fuel oil (VLSFO) in Hong is \$652.50 per tonne, and \$648 per tonne in Singapore, according to [Ship & Bunker](#). Over the last six months the highest price level for VLSFO in Hong Kong was \$710.50 per tonne with a low of \$599.50 per tonne.

Related: [Houthi Red Sea attacks triple EU ETS costs](#)

Meanwhile, traffic going through the Suez has dropped around 60% under the threat of attacks from Houthi Armed Forces, according to Tim Huxley, founder and chairman of Hong Kong-based shipowner Mandarin Shipping.

"Seafarers on those ships are at risk. It's a scary place out there and they are not trained to be in a war zone or conflict zone," said Banga, stressing that we need to put the seafarer agenda top of mind and front of mind before anything else. He also pointed out that certain trade union-related regulations have come through the International Bargaining Forum giving seafarers the right to refuse to go seven days before entering the zone.

Olivia Lennox-King, COO of Cetus Maritime which operates a fleet of more than 40 bulkers, said her company would not send ships to the area at the moment. She distinguished the Red Sea situation from the Somalian pirate crisis back in 2011 where pirate attacks were from small vessels and armed guards on board could protect the crew. However, armed guards would not be enough to tackle drone and missile attacks in the Red Sea.

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