

Rising Pressure on Red Sea Transit

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 Brief Analysis

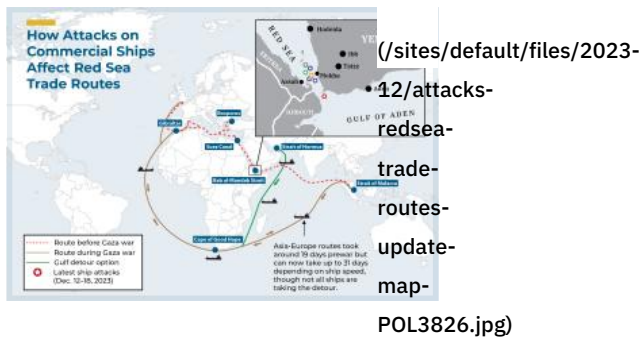
As Houthi attacks continue, more companies are deciding to take costly detours around Africa, increasing the urgency of bolstering local security measures.

After Yemen's Houthis stepped up their attacks against merchant ships last week, some of the world's leading liner operators suspended transits in the Red Sea and Gulf of Aden, while marine insurance companies raised their [war risk rates](https://www.tradewindsnews.com/insurance/war-risk-rates-continue-to-harden-as-attacks-escalate/2-1-1573811) even higher. Some vessels are still taking these routes, but more and more companies have decided to take the long haul around the Cape of Good Hope, increasing their transit time and causing delivery delays (see map below).

The Houthis argue that their recent attacks are strictly intended [to support Hamas against Israel](https://www.washingtoninstitute.org/policy-analysis/under-fire-bab-al-mandab-houthi-military-capabilities-and-us-response-options), but the impact of their campaign has inevitably become much wider. For one thing, some of the targeted ships have unclear or nonexistent connections to Israel. Yet even in cases where Israeli ties are well-established, the companies in question also trade globally. Hence, the reverberations are being felt throughout the shipping industry, [as predicted](https://www.washingtoninstitute.org/policy-analysis/houthi-ship-attacks-are-affecting-red-sea-trade-routes).

Latest Ship Attacks

The most recent wave of Houthi attacks on commercial ships has included missile and drone launches as well as [boarding attempts](https://www.centcom.mil/MEDIA/STATEMENTS/Statements-View/Article/3617393/centcom-statement-of-the-attack-on-the-ardmore-encounter/) using skiffs. Between December 12 and 18, at least seven vessels were attacked or threatened in the southern Red Sea and Bab al-Mandab Strait: the Norway-flagged oil/chemical tanker [Strinda](https://www.centcom.mil/MEDIA/STATEMENTS/Statements-View/Article/3614265/centcom-statement-on-missile-attack-in-the-bab-el-mandeb/) (IMO 9330771), the Marshall Islands-flagged oil/chemical tanker [Ardmore Encounter](https://www.centcom.mil/MEDIA/STATEMENTS/Statements-View/Article/3617393/centcom-statement-of-the-attack-on-the-ardmore-encounter/) (IMO 9654579), the Hong Kong-flagged container ship [Maersk Gibraltar](https://www.centcom.mil/MEDIA/STATEMENTS/Statements-View/Article/3618401/centcom-statement-of-the-attack-on-the-mv-maersk-gibraltar/) (IMO 9739692), the Cayman Islands-flagged oil/chemical tanker [Swan Atlantic](https://x.com/CENTCOM/status/1736899643324383531) (IMO 9790464), and three Liberia-flagged container ships [the Al Jasrah](https://x.com/CENTCOM/status/1735782605864194316) (IMO 9732321) [MSC Alanya](https://x.com/CENTCOM/status/1736899643324383531) (IMO 9785483), and [MSC Platinum III](https://x.com/CENTCOM/status/1736899643324383531) (IMO 9336165). Another vessel, the Panama-flagged container ship [MSC Clara](https://x.com/CENTCOM/status/1736899643324383531) (IMO 9708693), reported an explosion in the water near its location on December 18 but did not report damage.



Attack locations based on reports from the United Kingdom Maritime Trade Operations (UKMTO).

Two of the oil/chemical tankers were carrying vegetable oil and biofuels, while the *Ardmore Encounter* was **laden with jet fuel** (<https://apnews.com/article/yemen-houthi-rebels-ship-attacks-us-navy-1727df3d95e548c6e4d20b51f096268f>) when it narrowly avoided being hit by Houthi missiles near the Bab al-Mandab Strait on December 13. Although no fatalities or oil spills have taken place so far, the risks associated with attacking such vessels remain high.

Israeli Connections

The *Ardmore Encounter* is owned by Ireland-based Ardmore Shipping, whose prominent investors **include Israeli billionaire Idan Ofer** (<https://www.tradewindsnews.com/insurance/israeli-linked-ships-still-bearing-the-brunt-of-red-sea-security-concerns/2-1-1572256>). The vessel was targeted while sailing **from India to Sweden** (https://www.marinetraffic.com/en/ais/details/ships/shipid:714210/mmsi:538005093/imo:9654579/vessel:ARDMORE_ENCOUNTER); the Houthis may have been aware of its background but have not made any such claims publicly. Ofer **also owns** (<https://www.tradewindsnews.com/tankers/as-idan-ofer-builds-stake-in-tanker-owner-ardmore-intentions-remain-unclear/2-1-1206126>) the Singaporean company Eastern Pacific Shipping and “has interests in tankers, bulkers, container ships and gas carriers.”

Other giant shipping companies have reached cooperation deals with Israeli firms. For example, the Switzerland-based MSC—which manages the *MSC Alanya*, targeted on December 15—announced **a deal with Zim** (<https://investors.zim.com/news/news-details/2023/ZIM-Announces-a-New-Operational-Collaboration-Agreement-with-MS-C-on-Multiple-Trades/default.aspx>) in September.

Ownership is not the only element that needs to be considered when assessing Houthi targeting. For instance, when the *Strinda* was hit by a missile on December 11, observers were initially confused about why the group had singled it out. The next day, the ship’s registered owner, J. Ludwig Mowinckels Rederi, **issued a statement** (<https://www.jlmr.no/>) pointing to a potential motive: “There is no Israeli link to the ownership or the management of the vessel. She was, however, tentatively nominated by her charterers for a cargo out of [the Israeli port of] Ashdod in January.”

Impact on Global Trade

The companies that have recently decided to pause transit through the Red Sea and Gulf of Aden include major global firms such as CMA CGM, Hapag-Lloyd, Maersk, MSC, and energy giant BP. Meanwhile, Orient Overseas Container Line (OOCL), which is controlled by the Chinese carrier Cosco Shipping, has halted cargoes to and from Israel amid **rising ocean freight rates** (<https://www.reuters.com/world/middle-east/israel-shipping-costs-rising-lines-pull-out-red-sea-attacks-worsen-2023-12-18/>).

The longer trips around the Cape of Good Hope will inevitably mean longer lead times, delays in deliveries planned prior to the change, and increased costs—including port dues and bunker costs, among other potential fees. In the end, these additional costs will be passed on to consumers.

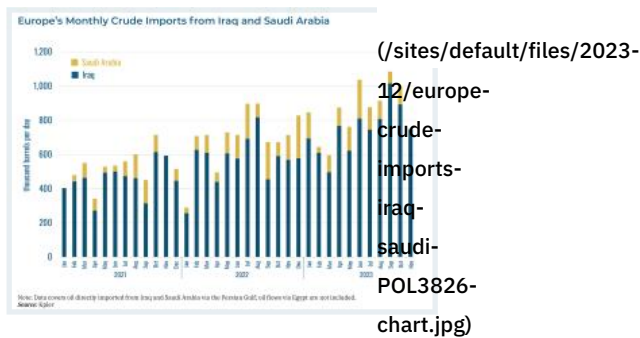
On December 18, the U.S. government announced the establishment of a new multinational initiative called **Operation Prosperity Guardian** (<https://www.defense.gov/News/Releases/Release/Article/3621110/statement-from-secretary-of-defense-loyd-j-austin-iii-on-ensuring-freedom-of-n/>), focusing on security in the Red Sea. It remains to be seen whether this initiative and its associated international task force will convince companies to lift their suspension of Red Sea transits. Their decision will likely depend on how the task force addresses the specific risks that have been raising their costs—an assessment that may take a few weeks depending on how quickly and effectively the force is put into action.

Given the nature of the companies announcing transit suspensions and route detours, the Houthi attacks are mainly affecting container shipping for now. The latest diversions are well illustrated by the plight of MSC. On December 16, its container ship *MSC Virginia* (IMO 9908059) left Oman’s Salalah port in the Gulf of Aden while signaling for Las Palmas in Spain, according to data from MarineTraffic. Yet instead of sailing through the Red Sea and Suez Canal, the ship took the longer route around the Cape of Good Hope. MSC’s decision **to**

suspend (<https://www.msc.com/en/newsroom/customer-advisories/2023/december/msc-palatium-iii-incident-in-red-sea---rerouting-suez-traffic-to-cape>) passage through the Red Sea came one day after its vessel *MSC Palatium III* (IMO 9336165) was attacked on December 15. Another one of the company's container ships, *MSC Michigan VII* (IMO 9196864), took an apparent detour on December 20—while en route from Asia and signaling for the British port of Felixstowe, it was seen sailing toward Africa instead of the Red Sea.

As for the potential impact on oil flows, the situation is still being monitored amid an increase in tanker rates. According to Kpler's data on the Persian Gulf-Northwest Europe (PG/NWE) route, the rate for Suezmax vessels—the largest tankers that can pass through the Suez Canal with a full draft depth—increased from \$3.7 per barrel in late September to \$5.6/barrel last month. During the same period, the rates for Very Large Crude Carriers (VLCCs) rose from \$1.4/barrel to \$1.8/barrel. The rates could increase even further by year's end due to increasing risk premiums.

Because European refiners rely on some Persian Gulf producers (particularly Iraq and Saudi Arabia) for particular crude grades, it remains to be seen how they will address the higher costs. The Suez Canal is the main route for Gulf crude flows to European countries, many of whom have increased their imports from the region following Ukraine-related sanctions on Russia's oil industry. As of this writing, at least six tankers sailing from Iraq were seen either navigating the Red Sea en route to the Suez or signaling for the canal as they sailed in the Persian Gulf and Gulf of Aden.



Despite the unfolding events in the Red Sea, major diversions of oil tankers are not expected at present, assuming security does not deteriorate further. As Kpler's lead oil analyst Matt Smith told the author, "We are seeing sporadic, not widespread diversions—it seems more likely we [will] see increased security than increased rerouting given the sheer number of tankers involved."

Detours Are Not a Sustainable Solution

While some companies have started avoiding the Red Sea and Gulf of Aden, this option is not sustainable indefinitely. Some owners are willing to accept the risks and are sending their cargo ships and tankers through these waterways. Moreover, many ships have no choice but to transit the Suez Canal or Bab al-Mandab Strait in order to reach and leave Red Sea destinations such as Saudi Arabia's Jeddah port. For instance, if a ship traveling from Jeddah to Kenya's Mombasa port was forced to detour around the Cape of Good Hope, the voyage would take more than twenty days instead of about seven. In short, the Red Sea remains a crucial trade route and will require robust security measures to lower the elevated risks, ensure freedom of navigation, and avoid further disruptions to supply chains.

Noam Raydan is a senior fellow at The Washington Institute. ❖

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