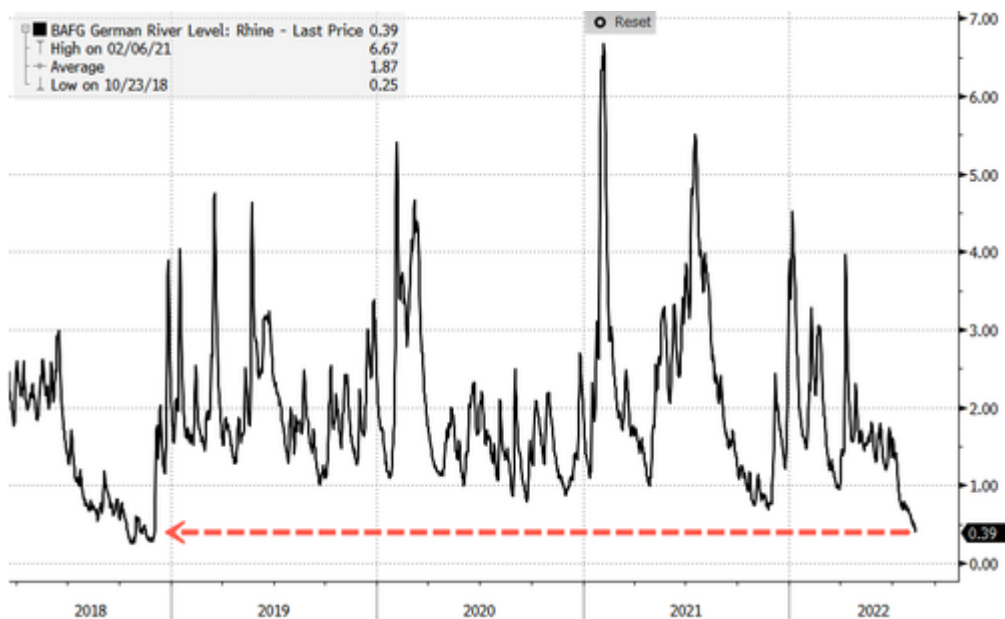




German Shipper To Halt Rhine Operations As Water Level Drops Below Critical

Description

GERMANY: From the last update, the water level on the Rhine River at Kaub, Germany, has fallen one centimeter (.40 inches), below the critical level of 40 centimeters (15.7 inches) to 39 centimeters (15.3 inches). Now the shipping industry is in disarray as low water levels mean barges can no longer transit parts of the river.



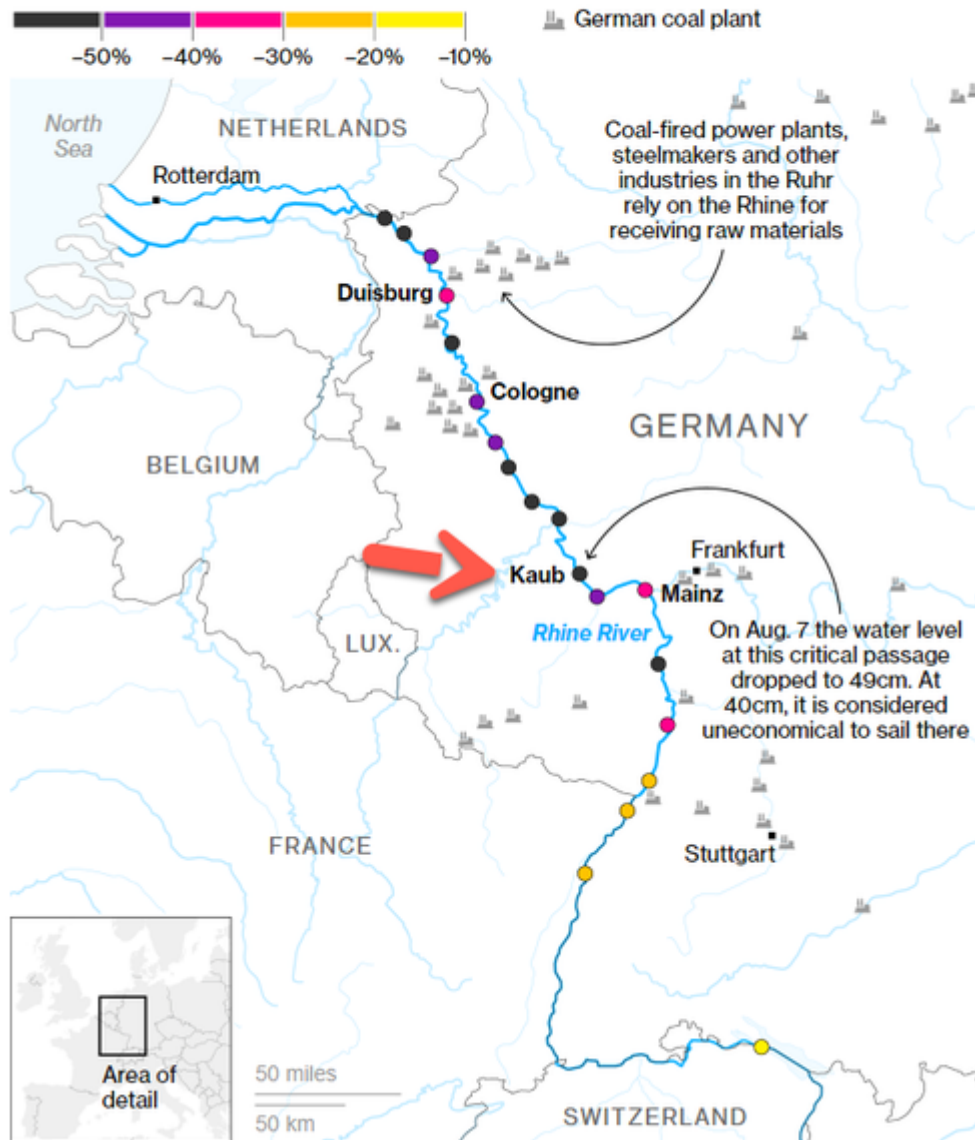
Bloomberg reported container company Contargo GmbH & Co. KG said it would discontinue transport service on the middle and upper Rhine due to low water levels.

Contargo said it would still haul cargo on the lower parts of the Rhine and then move goods to either rail or trucking before reaching the mid-section of Europe's most important inland waterway.

The Rhine's Dry Summer

The river is a crucial transport link for Germany and falling water levels are raising alarms of it becoming impassable

Recent water levels compared with historical average



The company warned: "Our barges will not be able to sail without danger" as water levels drop.

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Update (1000ET): The water level on the Rhine River at Kaub, Germany, has fallen to a critical 40 centimeters (15.7 inches). It becomes uneconomical for barges to transit Europe's most important inland waterway at this level.



“About 160 million tons of goods and commodities were hauled along the Rhine in 2020, ranging from chemicals to iron ore to oil products. Low water levels restrict the transport of goods along the waterway by limiting how much barges can carry without scraping against the riverbed,” Bloomberg said.

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Update (0900ET): The water level on the Rhine River at Kaub, Germany, a key point on the inland waterway west of Frankfurt, is one centimeter (.40 inches) from breaching 40 centimeters (15.7 inches), which below that level could severely impact barge shipments.

Toril Bosoni, head of the IEA’s oil market division, said the Rhine’s low water crisis would remain a problem through the end of the year, making it very challenging for landlocked countries in central and eastern Europe to receive crude product deliveries via barges.

On Friday morning, water levels at Kaub were 41 centimeters (16.15 inches), with new estimates from the German Federal Waterways and Shipping Administration indicating the level could drop even further by the end of the weekend or early next week to 33 centimeters (12.9 inches).



Barges have been hauling “significantly less” goods — including crude oil and coal, but still can transit the waterway, German newspaper Frankfurter Allgemeine Sonntagszeitung said, citing an interview with the head of Federal Waterways and Shipping Administration Hans-Heinrich Witte.

Witte said, “it’s possible, but I don’t think it’s likely” a shipping halt on the waterway would occur. However, a level of 33 centimeters (12.9 inches) in 2018 was enough to shutter parts of the Rhine and spark economic pains for Germany.

Earlier this week, we pointed out that a handful of major companies along the Rhine that relies on barge shipments have made alternative plans, such as trucking and rail, to continue operations.

A reduction in barge transport capacity has increased the cost of shipping exponentially.

Gunther Jaegers, managing director at Rhine stalwart Reederei Jaegers GmbH, told Bloomberg that the barge rate jumped 30% in one day earlier this month. He said, “I’ve never, ever, seen this ... it’s insane.” Joachim Hessler, managing director at shipping company Maintank GmbH, said declining water levels at Kaub could soon “mean ‘game over’ for more and more barges.”

CHART OF THE DAY: Rhine barge rates for refined oil products continue to set fresh record highs (chart).

The water gauge at the Kaub chokepoint is set to drop by Friday below 40cms — the level typically seen as “impassable” (although a few barges can operate with just 35cms).

pic.twitter.com/NSonNZiYie

— Javier Blas (@JavierBlas) [August 10, 2022](#)

For some context to the last closure of the waterway, current water levels for this time in 2018 are much lower.

The Kiel Institute for the World Economy warned barge disruptions would likely dent German economic putout.

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Water levels on the Rhine River are set to drop below a critically low point by the end of this week, making it increasingly difficult for barge transport of goods — including crude oil and coal — as one of the worst energy crises in decades batters Europe.

We [noted](#) Wednesday that further up the Rhine is Kaub, Germany, a bottleneck for barges where the river is very narrow and shallow and could fall below 40 centimeters (15.7 inches) by the end of the week. A drop below that level would make it nearly impossible for barges to transit the stretch of the waterway.



New data from the German Federal Waterways and Shipping Administration expects water levels at the key waypoint west of Frankfurt could plunge to 33 centimeters (12.9 inches) by Monday. This extremely low level would mean most barges hauling commodities on Europe's most important inland waterway that snakes 800 miles (1,300 kilometers) from the Swiss Alps through the largest industrial areas on the continent would be unable to sail through Kaub.

Economic Lifeline

The Rhine links German and Swiss industry with Rotterdam, Europe's biggest port



Sources: CORINE Land Cover, Natural Earth

“This is particularly the case for the Rhine, whose nautical bottleneck at Kaub has very low water levels but which remains navigable for ships with small drafts,” said Tim Alexandrin, a spokesman for Germany’s Transport Ministry. Though by the end of the weekend or early next week, Kaub could potentially fall to 33 centimeters would put it within centimeters of the low levels recorded in October 2018 that led to a shuttering of the waterway.

“The situation is quite dramatic, but not as dramatic yet as in 2018,” said Christian Lorenz, a spokesman for the German logistics company HGK.

Factories on the Rhine are heavily reliant on barge transport. About 4% of freight moved in Germany is carried on waterways, including the Rhine. If sinking water levels at Kaub breach 40 centimeters and fall further early next week, then Germany’s industrial heartland would be in trouble, and the energy crisis would be exacerbated.

The 2018 closure of the Kaub area shaved .2 percent off German GDP that year, Deutsche Bank economist Marc Schattenberg told AFP.

“The low levels have come much earlier this time,” Schattenberg said, adding, “if problems we are now observing last longer (than in 2018), the loss of economic value becomes all the more serious.”

Last week, [multiple companies](#) along the Rhine reportedly shifted barge transport to trucking and rail networks to avoid logistical headaches on the river.



The International Energy Agency warned Thursday that low water levels at Kaub could worsen supply chain disruptions through late this year.

"The product supply situation in central and eastern Europe was already very tight before this latest crisis," Toril Bosoni, head of the IEA's oil market division, said in a Bloomberg television interview. "The low water levels make it more costly to get fuel from the seaborne market into that region."

"This is concerning for landlocked countries that normally get fuel on the Rhine, Bosoni added. "So we're expecting this situation to continue towards the end of the year."

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Andrew Kenningham, the chief Europe economist for Capital Economics, said Germany's economic growth will be flat in Q3 and a contraction in the last three months of the year, "the low water level in the Rhine simply makes a recession even more likely."

by Tyler Durden

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