



The War in Gaza: Ports, Shipping, and Overseas Trade

Yigal Maor¹ | November 30, 2023

Against the background of the war in Gaza, this article assesses the situation of Israel's ports and the operation of Israeli overseas trade. It examines the types of activity and the unique features of Israel's ports and their limitations. It also describes the problems encountered in the various types of overseas trade (including containers, bulk shipping, and energy), and offers recommendations for its continued activity, taking into account the challenges of wartime. The principal recommendations are:

- Improving land transport capabilities from the ports – particularly in response to the challenging shortage of drivers and trucks.
- Finding a solution in the Finance Ministry to cover war insurance for ships in Israeli ports, in response to an extreme situation of refusal by international insurers to issue such insurance.

Avoiding superfluous security instructions at ports, which could damage the port functions or make ship owners and crews reluctant to dock in Israel.

Situation Picture (as of late November 2023)

Activity at Israel's ports during the war continues as usual, with the emergency restrictions imposed on the ports by the Home Front Command and other bodies relevant to the work of ports during emergencies. There are some restrictions on imports of hazardous (hazmat) substances, including energy cargoes, particularly in the south, but also in Haifa ports in view of the escalating threats in the northern arena. When it emerged that the first version of restrictions was causing damage

¹ Captain Yigal Maor is an expert on shipping and ports, and a lecturer, researcher, and consultant in the field to different entities in Israel and overseas. This article was prepared within the framework of the Chain Reaction research team, led by Galit Cohen, INSS, which focuses on supply chain disruptions as a result of climate change and their impact on national security and regional stability. The other members of the research team are Prof. Vered Blass of the Archimedes Center, Tel Aviv University; Amit Ben-Tzur of the Yesodot Institute; Tomer Barak of the Gazit Institute; and Daphna Aviram-Nitzan of the Israel Democracy Institute.

to the Israeli economy, the policy was reviewed and amended, and clarifications were issued to all port users.

So far there has been no significant physical damage to the port infrastructures or to vessels approaching the ports, except for the slight damage to a foreign vessel as it was anchoring at the entrance to Ashdod Port (damage to property only) when a rocket fell nearby, with damage caused by shockwaves and shrapnel. No incidents have been recorded in Haifa ports, apart from damage to property caused (apparently) by falling shrapnel from an interception beyond the eastern edge of the port.

The Port of Eilat

The Port of Eilat is used for the import (unloading) of automobiles, animals, and passenger ships. Not much general cargo is loaded for export, and the port is used mainly for loading bulk freight from ICL (phosphates and potash).

The use of the Port of Eilat by the container industry as a substitute for the Mediterranean ports is very problematic, for several reasons:

- a. It is not possible to upgrade the port without significant work to deepen and reinforce the docks, which is not practical for reasons of protecting the marine environment with its range of underwater plants and animals in a sensitive area. The port itself is relatively shallow and only accessible to medium sized ships, which are small in terms of the accepted volumes for container traffic between Asia and the west. Attempts to reinforce the docks to allow them to bear heavy loads or coastal cranes (mobile, for example), in order to significantly increase the scope of the port's activity, also require underwater work that would incur problematic consequences for the environment.
- b. The port is located outside the scope of the matrix of global shipping lines (container shipping), which pass through the Red Sea to the Suez Canal. There are shipping lines that serve the Red Sea ports and Aqaba, crossing the Straits of Tiran en route to the Port of Aqaba at the northern end of the Gulf of Eilat. However, these lines are designated for the Arab ports that they serve, including Aqaba, and cannot directly serve the Port of Eilat for various reasons, including the remnants of the Arab boycott, the size of the ships, absence of assured room for additional port loads, and more.

On the other hand, there is a possibility on the current trading routes (assuming that a ship coming to Aqaba has room for cargoes intended for Eilat) of serving

the Port of Eilat by reloading containers that were originally unloaded in Aqaba and transferring them on smaller ships suitable for entering Eilat. This option was examined and tried in the past, but was not successful partly because of market conditions, and was abandoned.

There is always the possibility of using the Eilat port to load/unload smaller ships, particularly general cargo ships. This option was examined in the past with some operational success (mainly for general cargoes, such as metals), but apart from the operating problems with certain types of loads, the costs and restrictions of overland transport to and from the port make this a limited option.

As for container ships, it is possible for feeder ships to visit Port of Eilat. These are relatively small ships that collect cargo from a large unloading port and from large ships and transfer them to the destination port. In this case, when the large shipping lines unload their Israeli cargoes in a foreign port due to problems of unloading in Israeli ports in the Mediterranean, there are various bureaucratic restrictions and limits to the volume of cargo that can be transferred to Israel. However, in emergencies (and as a very limited solution), the Port of Eilat can be used to unload essential container cargoes – albeit with the financial and logistical problems of overland transport from Eilat to the center and north of the country.

Container Shipping

Container shipping is operating normally. In a limited number of incidents, ship operators decided to transfer their ships to a Haifa port, mainly due to a refusal by the Home Front Command to allow certain hazardous materials to be unloaded in the Port of Ashdod, which thus prevented ships carrying such cargo from being operated in Ashdod. Most imports and exports of hazmat are currently channeled through Haifa ports (the Haifa Port Company and the Bay Port). This increases the number of trucks carrying hazmat on roads to and from Haifa and the entailed risks (freight for export, which is also conveyed by rail). Recently some container activity returned to Ashdod and the pressure on the Haifa ports has been somewhat reduced. Indeed, overall there is a considerable decline in container activity in Israeli ports, probably due to a drop in consumption.

In view of the significant difficulty on the import of chemicals to Israel due to the initial restrictions that were imposed on unloading hazmat in the Ashdod and Haifa ports, and the possible ramifications for the consumers of these chemicals in Israel, including the manufacturing sector, the subject of the restrictions and their significance was raised before the National Emergency Management Authority (Rahel) and the Home Front Command. The original guidelines were amended so that it was again possible to enter the Port of Ashdod carrying

sensitive hazmat with the status of “transit” only, and the Haifa ports are currently used to unload imports of sensitive hazmat; at present it is fully possible to unload all kinds of hazmat only in the Haifa ports, with the condition of direct delivery of sensitive imported hazmat and restrictions on storage in the port of sensitive hazmat for export. These export cargoes must be brought into the port just before they are loaded onto the ships, and not before. These cautionary rules apply to a specific list of sensitive hazmat defined by the Home Front, while there are no special restrictions on other types of hazmat.

There is also an emerging problem over the increased storage times for containers in the ports and the rear terminals. This is due to a clear slowdown in the economy as well as in manufacturing and consumption (other than food consumption), as well as to logistical difficulties, mainly the shortage of trucks and drivers. In response, the Israel Ports Company has started allocating additional storage areas to the ports. A few shipping companies and ports have announced significant reductions in fees for storage of containers and war levies from their customers.

Regarding war insurance, there has been an increase in the premiums for war risks, mainly for ships visiting the Port of Ashdod, but for Haifa ports as well. The most significant increase is mainly in hull and machinery (H&M) insurance for ships reaching Israel for the rise in risk level recommended by the Joint War Committee in London and then adopted by the insurers (the method is to cancel the existing policy and immediately instate a new policy with a higher premium). So far no insurance problems have arisen, apart from the additional cost, which is considerable. Perhaps at some point, particularly if there is significant damage to a ship, the insurers will decide that they are no longer prepared to carry the risks and will not agree to insure ships entering Israeli ports. However, this is a very extreme situation that has not happened for many years in Israel (there have been cases in other countries, for example, in Sri Lanka in the distant past, and recently in Ukrainian ports). The Finance Ministry should be approached as to what will happen in such an event, with the understanding that this is an extreme situation and concerns the H&M insurance. Meantime, most of the current rise in prices in the economy are due to the extra costs at one level or another of Israeli exports and imports.

In container shipping (as in other branches of shipping) there is an option to bypass the Israeli port and unload containers in a foreign port as the final destination, contrary to what is stated in the bill of lading (with the subsequent transfer of the containers or their contents to Israel being the customer’s responsibility). This is a legal contractual process called “Termination of Voyage,” for reasons defined in the transportation contract (the bill of lading), such as force

majeure, war, and more. It is a complex and expensive process, but practical and possible.

Shipping of Grains and Grain Products

The problems of shipping grains and grain products (for animal and human consumption) mainly affect aspects of port operations, particularly the Port of Ashdod. The pace of work in this port is relatively slow and the new automated unloading systems do not operate properly – problems that existed before the war. In contrast, the pace of work is much faster in Haifa, mainly due to the activity of the automatic unloaders in the Millennium grain elevators (formerly Dagon). Unlike grain cargoes, the cargoes of grain and gluten products are unloaded by conventional methods (grabs) and in this sector the rate of unloading is slow even in normal times, because it depends on the availability of trucks, as the cargo is unloaded directly onto customer trucks.

With regard to the arrival of grain cargoes in Israel (as with other branches of shipping), after years of Israeli ports being perceived by international shipping as problematic for bulk unloading, ship owners are very hesitant to bring their ships to Israel, due to fears of deterioration in the security situation. However, just as with the risks of war damage, there is war insurance that covers ship owners against war-related damage. Nonetheless, and particularly in this branch, ship owners are very hesitant to enter into import contracts for Israel when the times for approving orders of grains to Israel are much longer than in the past due to these factors.

As for the Termination of Voyage process, in the bulk sector the subject of bypassing Israeli ports and unloading the cargo in a foreign port is more problematic (to say the least), due to the operational problems of unloading and storing the cargo in the foreign port and then reloading it onto another ship for the destination port in Israel. Here too, then, hesitations of ship owners in this branch are stronger than in the case of container ships. In addition, some ship owners may refuse to come to Israel for political reasons. However, in general and on the bottom line, it is a question of commerce and business, and even if at present closing contracts on ships bound for Israel is a challenging process, there is still no sweeping refusal to bring cargoes to Israel – be it from loading ports on the Black Sea or one of the ports in North or South America, and certainly not for political reasons.

Shipping of Raw Materials (Other Bulk)

This branch, which includes bulk cargoes and powders (mainly exports of Dead Sea products), has also not recorded any special problems, and concerns mostly ships that unload their cargoes in Israel and are then immediately loaded with phosphates or potash for export (bromine products from the Dead Sea are exported in special containers and not in bulk).

General Cargo Shipping

As with container shipping, there has been a slowdown in general cargo, partly due to reduced consumption in Israel; apart from the sharp drop in pressure on the ports (reduction of the operational queue), pressure has arisen in the ports themselves over space for receiving imported goods. This is because of a failure to withdraw imported cargoes from the ports (particularly various kinds of metals). In order to help ports engaged in these activities, additional temporary storage space has been allocated for the accumulating cargoes, since presumably additional ships will arrive and later there will be a slowdown in imports. This is also particularly noticeable regarding automobile imports. Due to the slowdown in vehicle purchases, the ports are crammed with tens of thousands of automobiles, creating a problem of space for operations. The issue is well known and is being handled by the Shipping and Ports Administration with the port companies in Eilat, Ashdod, and Haifa.

Energy Shipping

As with restrictions applying to other activities, import activity has been somewhat limited in the Europe Asia Pipeline Co (EAPC) Port in Ashkelon. The activity has been moved to other terminals, allowing imports of crude oil to Israel for refining to meet local needs. According to reports in foreign media (e.g., Bloomberg), Israel has begun to import crude oil from the Mediterranean (Azerbaijan), with tankers that come through the Suez Canal and unload at the EAPC terminal in Eilat instead of in Ashkelon. The importance of exporting (loading) residual fuels (refinery byproducts) from refineries must be emphasized, since failure to evacuate these fuels in an orderly fashion could lead to a slowdown or even stoppage of the refining processes.

The Main Players

- Importers (and exporters) in Israel

- All port corporations (including three port companies) within Israeli ports – Haifa (6 corporations), Hadera (government port), Ashdod (3 corporations), Ashkelon, Eilat (3 corporations)
- International shipping companies in the container field, all types of bulk conveyance (mainly grains)

The Main Challenges

- Maintaining continuous activity in Israel's ports (almost 100 percent of Israeli imports and exports in terms of volume and weight pass through its seaports)
- Maintaining the regular activity of international shipping in Israeli parts, while reassuring the operators and insurance companies to prevent massive increases in marine insurance costs (war risks)

Policy Recommendations

The level of threats to the Port of Ashdod and sometimes the instructions from the Home Front Command create a situation in which some container imports move to Haifa ports. This involves the transfer of numerous containers, carrying cargoes of consumer materials, to the center and south of the country. Disruptions to land transport (trucks as well as trains) lead to disruptions and even shortages in supplies of goods. Cargoes of grains and grain products are mainly brought into Haifa due to the infrastructures in Ashdod operating only partially (for technical reasons). This also involves the daily transport of thousands of tons to the south, and here too there are signs of land transport problems. It is important to provide significant reinforcement for land transport in any way possible, particularly in view of the current shortage of drivers throughout the supply chain in Israel.

A solution must be found for the extreme possibility that global insurance companies will refuse to insure ships entering Israeli ports (H&M insurance). In this situation, without insurance cover, shipowners will refuse to come to Israel. The country must therefore prepare a plan for suitable insurance protection, based on negotiations with international insurers and budgeting for bank guarantees to be agreed by the insurance companies equal to the cost of one or two ships (sums of about \$100 million that were demanded in the past, when there was no agreement over accepting state guarantees) so that they will agree to this solution (which has been used in the past in times of fighting in various places worldwide). If the agreement of insurers and shipowners can be achieved in any other way, the problem will be solved.

There have already been cases where guidelines from security authorities have caused great confusion among foreign shipping companies, even leading to some refusals to accept certain cargoes to be shipped to Israel, a decision not to dock in the Port of Ashdod, or even to bypass all Israeli ports. This could lead to shortages of raw materials (particularly chemicals) and even shut down production lines in some industries.

The security authorities, above all the Home Front Command and the Navy, must word their instructions, announcements, and guidelines carefully, to avoid sending a message to the world that Israel's ports are in trouble, in danger of closure, or unable to function. Such statements contribute to the rising costs of war insurance, and could even cause some shipowners to refuse to enter Israeli ports. Indeed, the willingness of shipowners to come to Israeli ports is a very sensitive subject at the moment, and anything that contributes to confusion, uncertainty, or difficulty of processing ships can easily influence the decision of shipowners. On this matter, it is worth noting a clarification document in English that was issued by the Shipping and Ports Administration, which explains the situation in the ports and the security measures that have been adopted.