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Panama’s $8.5B Bet: The Canal That Wants to Be More Than a Canal

A record year for revenue, a dry season ahead, and a plan to move cargo across the isthmus without using the locks. Can Panama diversify before the rain becomes unreliable for good?

By **Manasee Kurlekar** | November 7, 2026



The Panama Canal just had its best year ever. It is also about to enter a dry season it may not have enough water for.

In the fiscal year to September, the waterway handled 13,951 transits and earned B/.6.6 billion, up 16.6%. Then the rain stopped cooperating. Rainfall in the canal watershed ran 34% below normal from May to August, and the water actually reaching the reservoirs was 44% below. Since early September the canal has capped daily transits ahead of a long El Niño season. The real test comes between December and April.

That contradiction is why Panama is spending $8.5 billion to become something other than a toll road.

A canal that runs on rain

The canal’s basic problem is physical. Its locks run on gravity, and every ship that passes uses millions of litres of fresh water from Gatún and Alajuela lakes. When it rains less, the canal can move fewer ships, carry less cargo per ship, and earn less.

The 2023–24 drought showed how expensive that is. Annual transits fell from an average of 13,759 (2010–23) to 11,290. LNG traffic was hit hardest, down 66% at the peak of the restrictions. Many of those cargoes switched to the Cape of Good Hope and stayed there.

The long-term fix is the Río Indio reservoir, budgeted at $1.2–1.6 billion. On the canal authority’s own timetable, it will not deliver water until 2031 or 2032. Until then, every rainy season is a gamble.

Plan A: stop selling only passage

The $8.5 billion programme rests on three pillars, and each one makes the canal less dependent on lake levels.

Ports. Two new container terminals, Corozal on the Pacific and Telfers on the Atlantic, would add roughly 5–5.5 million TEU of transshipment capacity. Panama’s existing capacity is already close to full. On 4 November the new administrator, Ilya Espino, said the shortlist of bidders would come by year-end, with Maersk and MSC among the likely contenders. Contracts are due by mid-2027 and the terminals could open in 2030–31. A third terminal is already being planned.

Pipeline. This is the most significant part of the plan. A 76-km pipeline would carry US propane, butane and ethane across the isthmus to Asia-bound tankers, without those cargoes ever entering the locks. It would cost $4–8 billion, move about 2 million barrels a day, and add an estimated $1–1.2 billion a year to canal revenue. Every LPG carrier moved onto the pipeline frees a lock slot, and water, for higher-value ships such as LNG carriers. The canal authority projects LPG volumes rising from 37 million tonnes in 2024 to 53 million by 2040. ExxonMobil, Chevron, Energy Transfer, Phillips 66 and ENEOS have all registered interest.

Water. Río Indio, the long-term insurance policy.

Together, these projects turn Panama from a single toll road into a logistics corridor. Revenue would come from moving cargo, storing it and handling it on land.

The rivals: none is a clean substitute

Route	2026 scale	Water/weather exposure	Strategic control
Panama Canal	~14,000 transits; B/.6.6bn revenue	High (rain-fed locks)	Panama; ports dispute with CK Hutchison unresolved
Suez Canal	~43 ships/day vs 74 in 2023; $5.8–6bn revenue expected	None (no locks, sea level)	Egypt; Red Sea security risk
Northern Sea Route	40Mt+ total; ~4.5–7Mt international transit	Ice-dependent, seasonal	Russia; Western sanctions
Mexico’s CIIT rail corridor	Under 1Mt moved by March 2026	Low	Mexico (Navy-run)
Panama LPG pipeline	Planned, ~2M bbl/day	None	Panama Canal Authority

Suez has no locks and no water problem. Its constraint is security. Traffic has recovered to 1,358 ships in August, the best month since 2023, but daily volumes are still about 40% below their 2023 level. Part of the rebound comes from tankers avoiding the shut Strait of Hormuz, and that traffic will go back once Hormuz reopens.

The Northern Sea Route is about 30% shorter than Suez for Asia–Europe cargo in summer, and will carry a record 40+ million tonnes this year. But it is open only part of the year, it is Russian-controlled and under sanctions, and international transit traffic is still tiny: around 150 voyages, against Panama's roughly 14,000.

Mexico's Interoceanic Corridor is a 303-km rail link between Salina Cruz and Coatzacoalcos. It shows that Panama's monopoly on crossing the isthmus is not guaranteed. Hyundai has run cars across it in nine hours. But unloading and reloading every container adds cost, and the line handles volumes in the hundreds of thousands of tonnes. Panama measures its cargo in hundreds of millions.

Who controls the corridor

Then there's the politics. In January, Panama's Supreme Court voided CK Hutchison's concession at Balboa and Cristóbal, the ports at either end of the canal. The ruling sank a $22.8 billion sale to BlackRock and MSC. CK Hutchison is now seeking more than $1.5 billion in arbitration. Every bidder for the new terminals will factor that dispute into what it is willing to pay.

The bottom line

Panama's bet is that it can earn more from managing the isthmus than from simply letting ships through it. The numbers support the strategy: none of the alternatives can match Panama's combination of scale, location and neutrality. The timing is the problem. The terminals, the pipeline and the reservoir all arrive around 2030–32. The water constraint is already here. The next five dry seasons will decide whether Panama can diversify fast enough.

Read online: https://worldbusinesswatch.com/industry-radar/36/382/panamas-8-5b-bet-the-canal-that-wants-to-be-more-than-a-canal.html

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