

Tesla pauses German production after Red Sea shipping attacks

Publication Date: 2024-01-12

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Section: Technology

Tags: Tesla, Automotive industry, Shipping industry, International trade, Middle East and north Africa, Germany, Europe, news

Article URL: <https://www.theguardian.com/technology/2024/jan/12/tesla-pauses-german-production-because-of-red-sea-shipping-attacks>



The electric car manufacturer Tesla is to halt most production at its factory near Berlin for two weeks because of delays in deliveries of parts because of attacks on ships in the Red Sea. Shipping delays in the Red Sea, caused by attacks by Iranian-backed Houthi militants, has caused Tesla to suspend most production at its German factory from 29 January to 11 February. The carmaker, whose chief executive is Elon Musk, has said the pause could lead to about 5,000 to 7,000 cars not being built. Disruption through the important shipping route to the Mediterranean, which has forced companies to use the alternative and much longer route around the southern tip of Africa, is starting to affect global trade, which dropped 1.3% in December. "The armed conflicts in the Red Sea and the associated shifts in transport routes between Europe and Asia via the Cape of Good Hope are also having an impact on production in Grünheide," said Tesla, the second-biggest seller of electric cars. "The considerably longer transportation times are creating a gap in supply chains." Last month, Tesla was overtaken by its Chinese rival BYD as the world's top-selling electric carmaker. BYD, which stands for Build Your Dreams, has been backed by the US investment billionaire Warren Buffett since 2008. Susannah Streeter of the analysts Hargreaves Lansdown said the Berlin pause was "a fresh blow to Tesla's production targets and comes amid fierce competition from Chinese manufacturers ... The China-based automotive giant Geely, which owns Volvo and Lotus, has also flagged that there would be a delay to deliveries of EV models in Europe." The Red Sea route, which gives ships access to the Suez Canal, accounts for about 12% of global maritime traffic. Tensions escalated on Thursday when the US and UK launched air and missile strikes in Houthi-controlled areas of Yemen aimed at halting attacks on ships traversing the Red Sea. The US said it had launched strikes on more than 60 targets at 16 Iranian-backed Houthi militant locations, including command and control nodes, munitions depots, launching systems, production facilities and air defence radar systems. The military response followed a Houthi drone and missile attack aimed at a fleet of American and British warships in the southern Red Sea. Oil prices rose 2% on Friday after the strikes by the US and UK, with Brent crude at almost \$79 a barrel. The attack added to concerns about the potential impact a broader conflict in the Middle East might have on oil supplies from the region. A report by the German economic institute found that the number of containers travelling daily through the Red Sea fell by 60% from 500,000 in November to 200,000 last month. Last week, Maersk, the shipping company responsible for moving 20% of global trade each year, diverted its ships around the southern tip of Africa after two of its vessels were attacked in December. Vincent Clerc, Maersk's chief executive, said on Thursday the Red Sea disruption could last for months. The attacks by Houthi militants

were “brutal and dramatic” and could lead to further inflation across the global economy, he added. Retailers have said problems in the Red Sea could lead to inflation and availability problems if container ships keep having to divert around Africa. Marks & Spencer said the availability of some items, mainly clothing, may be affected in February and March. Alcohol deliveries could also be disrupted.