

Dentons Flashpoint

Daily Global Situation Report

February 18, 2022

Global Situation Update: February 18, 2022

KEY TAKEAWAYS

Russia announced massive drills of its nuclear forces today, supervised personally by President Putin.

No Russian delegation will attend the Munich Security conference, the first no-show in years.

Malawi has declared a polio outbreak with the first case of wild poliovirus in Africa discovered in more than five years.

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WHAT WE'RE WATCHING

The Munich Security Conference, the world's leading forum for debating international security policy, kicks off today in-person with more than 450 senior decision-makers as well as thought leaders from around the world. Top American officials attending the 58th version of the event include Vice President Harris and Secretary of State Blinken as well as dozens of US congressional leaders.

On the agenda, of course, will be Russia-Ukraine, and Vice President Harris will meet Ukrainian President Zelensky for the first time. There are some concerns that Russia might hijack the conference by invading Ukraine.

Other key issues up for discussion at MSC include cybersecurity, Iran nuclear talks, Arctic security, climate change and much more.



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Global

Globally, confirmed coronavirus cases topped 416.6 million with 5.8 million deaths; more than 10.2 billion vaccine doses have been administered.

- Shelling across the line of contact in **eastern Ukraine** continues.
- At the **UN Security Council**, US Secretary of State Blinken outlined a scenario that Russia could engineer false flag attacks to justify an invasion, seeking to preempt such action.
- Russia media continues to claim that Russian tanks are withdrawing from the **Ukraine border**, reporting considered false by the US.
- **Diplomatic efforts** continue today with the leaders of the US Canada, France, Germany, Italy, Poland, Romania, Britain, the European Union and NATO holding a secure video conference.
- In Russia's response in the exchange of letters over **security guarantees**, Putin said the US has failed to constructively respond to an ultimatum that NATO halt its eastward expansion.
- World leaders converge this weekend on Germany for the annual **Munich Security Conference** which will be dominated by the Ukraine crisis. No Russian delegation will attend the conference, the first no-show in years.

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Markets & Business

Saudi Arabia plans to introduce options trading on single stocks to further boost liquidity in the Tadawul stock exchange, the Middle East's biggest stock market.

- Australia's New South Wales state ordered employers of freelance delivery drivers such as **Amazon.com Inc** to pay a minimum rate. Transport Workers' Union hailed the decision as making Australia the first place where the Amazon must pay wages to contractors that are set by law.
- **Southern California Gas Co**, the largest US gas utility unveiled a major proposal to deliver hydrogen produced by wind and solar energy to the Los Angeles area to help wean transportation, manufacturing and electricity sectors off of fossil fuels.
- **Huawei Technologies** will spend 4 billion yuan (\$632.52 million) to build a new headquarters and R&D center for its digital power unit in Shenzhen, China.
- **The People's Bank of China** completed the first phase of climate risk stress tests at 23 major banks last year and is warning that banks face rising default risks as a result of higher climate-related costs in carbon-intensive sectors like thermal power, steel and cement.

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Environment, Sustainability & Governance

More than 100 United Nations member states will convene this month to draw up a blueprint for the first-ever global agreement to tackle plastic pollution, in what the UN is characterizing as the most important environmental pact since the Paris Agreement climate deal in 2015

- Ericsson shares plunged following reports that the company may have **paid ISIL** for access to transport routes in Iraq.
- The government of Morocco allocated \$1 billion to efforts to **counteract drought** and aid its ailing agricultural sector.
- French insurer CNP will no longer **finance new oil and gas projects** or invest in companies planning to do so.
- British bank Natwest cut lending to clients in the oil and gas sector by 21 percent in 2021 and seeks to limit it further as part of efforts to **decarbonize its loan book** and reach net-zero emissions.
- At a virtual gathering of the International Civil Aviation Organization group, US and some European countries backed tougher **emissions standards** as part of broader efforts through 2025 to update rules for aircraft noise and emissions.

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Africa

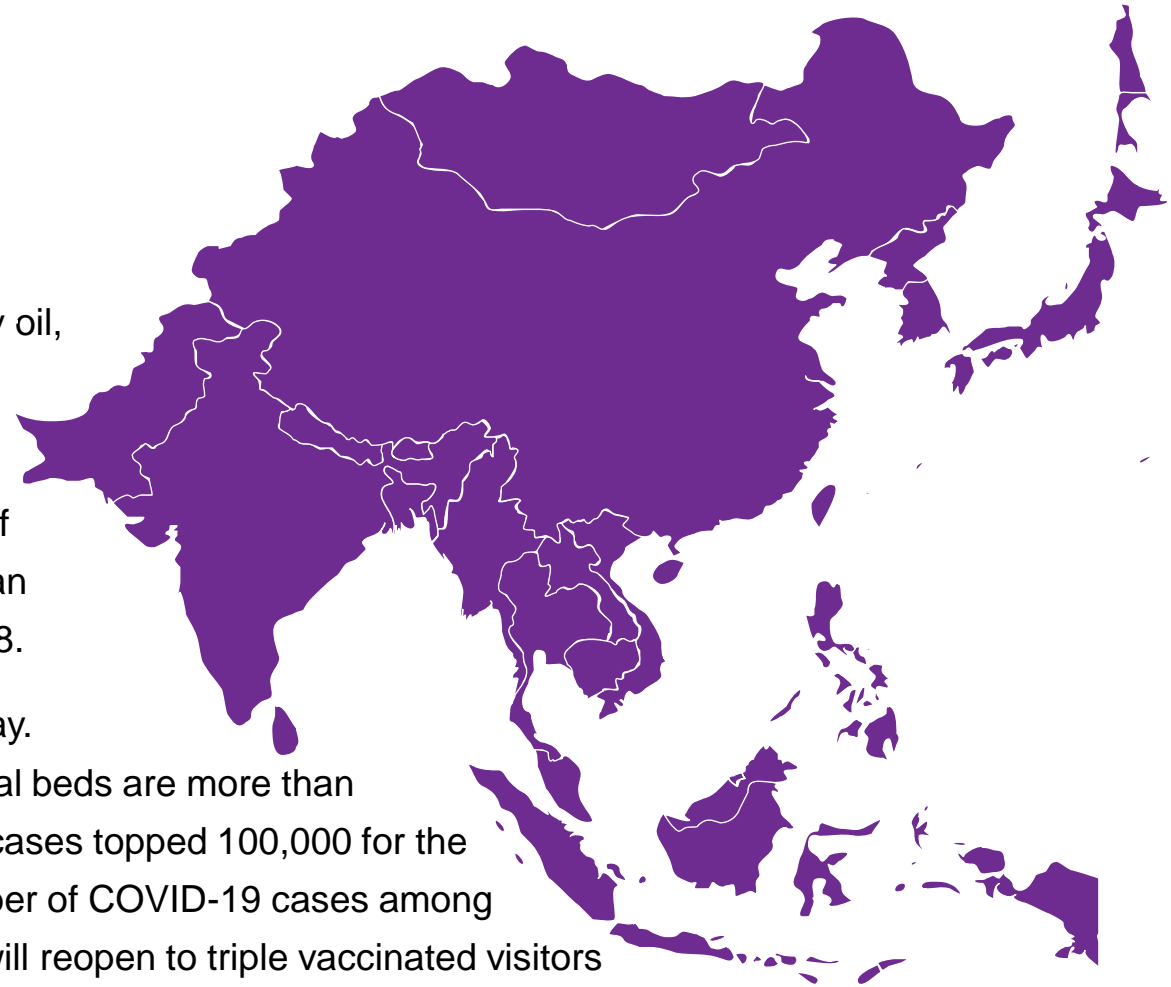
- **Nigeria's** economy grew faster than expected in 2021, rebounding by 3.4 percent rather than the 2.9 percent predicted by the central bank.
- The **African Union-European Union** summit kicked off in Paris, with the top agenda item being **France's** redeployment of its counterterrorism operation from **Mali** to **Niger**. **Germany's** defense minister said that she was unsure whether an EU military training operation in Mali would continue following news of France's exit. Mali and **Burkina Faso**, both ruled by military juntas recently installed via coup, were not invited.
- The WHO announced six African countries, **Egypt, Kenya, Nigeria, Senegal, South Africa and Tunisia**, would be the first on the continent to receive the technology needed to produce mRNA vaccines. The **US** announced plans to send more than \$250 million in coronavirus vaccine assistance to 11 countries in **sub-Saharan Africa**.
- **Malawi's** health authorities have declared a polio outbreak after a case was detected in a young child in the capital Lilongwe, the first case of wild poliovirus in Africa in more than five years.



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Asia

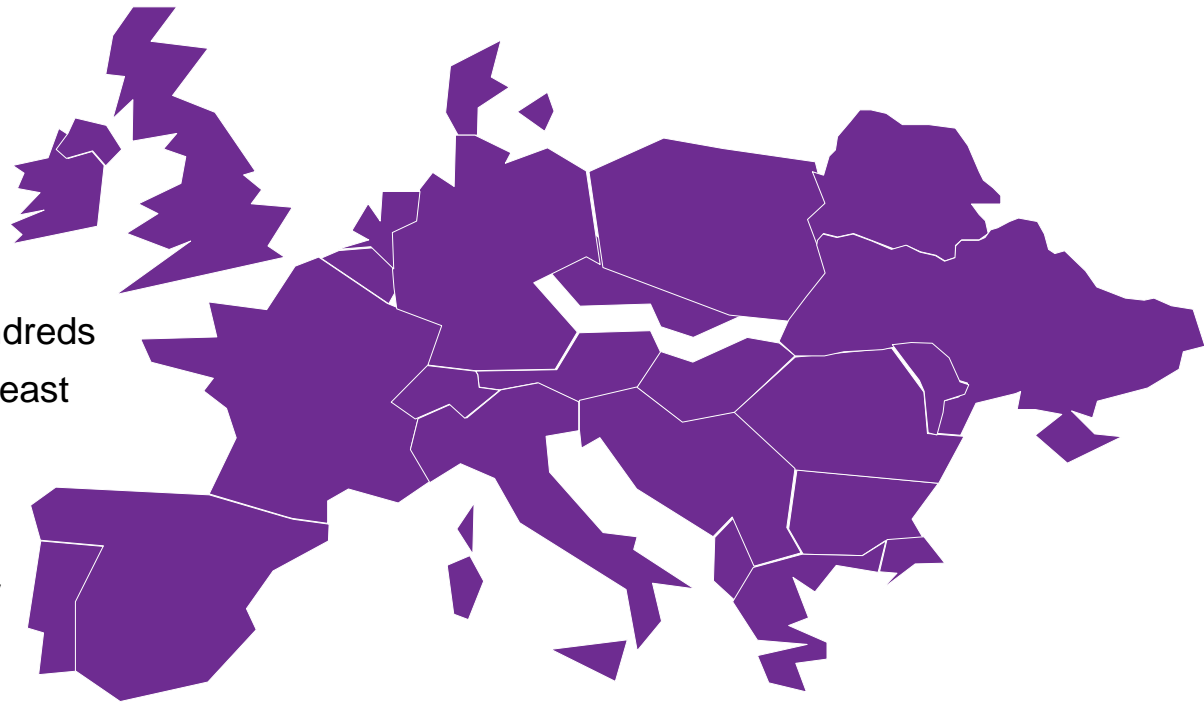
- **Sri Lanka's** state-run petroleum company has run out of cash to buy oil, and fuel shortages across the country could get worse
- An **Indian** court sentenced 38 Muslim men to death and ordered life in prison for 11 others for a series of bomb blasts in 2008 in the city of Ahmedabad that killed more than 50 people. A group called the "Indian Mujahideen" had claimed responsibility for the blasts on July 26, 2008.
- The election of **Hong Kong's** chief executive will be postponed to May. Quarantine facilities in Hong Kong have reached capacity and hospital beds are more than 95 percent full as cases spiral. **South Korea's** new daily COVID-19 cases topped 100,000 for the first time. In **Malaysia**, there has been a 160 percent rise in the number of COVID-19 cases among children below 12 years old over the past week. Western **Australia** will reopen to triple vaccinated visitors on March 3, after two years of strict borders controls.
- **China's** state planner, the National Development and Reform Commission issued rules to promote a faster recovery from the pandemic in the services sector. China Banking and Insurance Regulatory Commission also warned against using the metaverse as a tool for illegal fund-raising.



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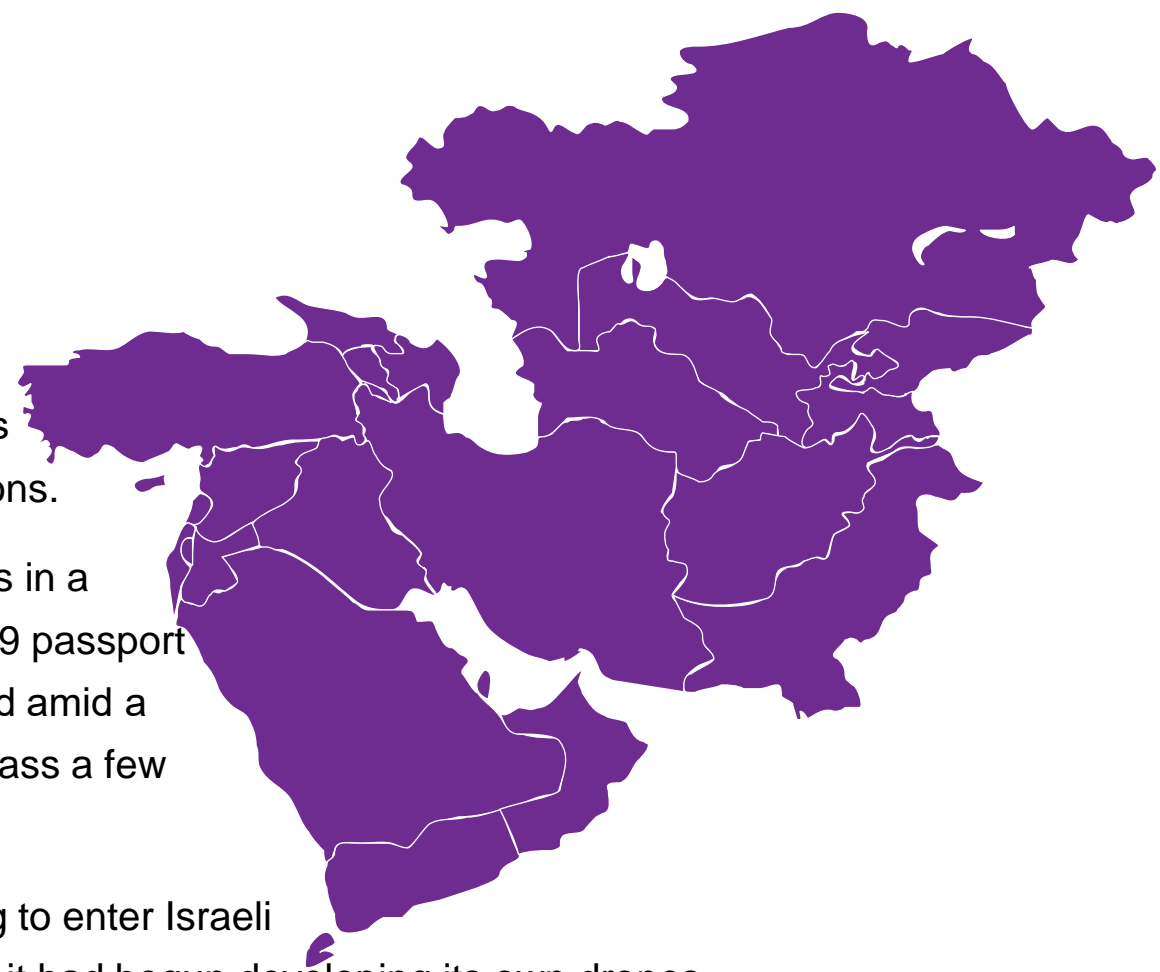
Europe

- More than 120,000 homes in **Britain** were without power and hundreds of flights were canceled as Storm Eunice pounded London, southeast England and parts of continental **Europe**.
- The **US** announced the planned sale of 250 Abrams tanks to **Poland** to strengthen the defenses amid a mounting threat of war between neighboring **Ukraine** and **Russia**.
- **Belarusian** leader Lukashenko is in Moscow today for talks with **Russia's** President Putin that Minsk said could determine how much longer Russian military forces remain in Belarus. Lukashenko said his country would be ready to host "nuclear weapons" if threatened by the West. Russia announced massive drills of its nuclear forces today, supervised personally by President Putin. The drills aim to "test the state of readiness" of the forces involved and the "reliability of strategic nuclear and non-nuclear weapons."
- A major strike paralyzed most of Paris's metro network and city train grid today, as workers demand greater pay hikes than offered by the management. RATP had said it was prepared to hike wages by 2.7 percent in 2022, while **French** national annual inflation was last reported at 3.3 percent in January.



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Middle East



- **Tunisian** Prime Minister Ghannouchi said that the suspended parliament will “inevitably” return, a challenge to President Saied’s apparent plan to leave the parliament suspended until new elections.
- **Jordan** will ease coronavirus restrictions for international travelers in a bid to boost its tourism sector. **Israel** announced that its COVID-19 passport to enter public spaces, the “green pass,” would be fully suspended amid a downturn in cases; the suspension follows a scaling back of the pass a few weeks earlier to fewer locations.
- **Israel** reported that it had shot down a Hizballah drone attempting to enter Israeli airspace from **Lebanon**, just days after Hizballah announced that it had begun developing its own drones.
- **South Korea** reported that it had held working-level talks with Iran to discuss restarting oil trade and unfreezing some of **Iran’s** funds in the country, a potential sign that a JCPOA deal is nearing.

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Americas

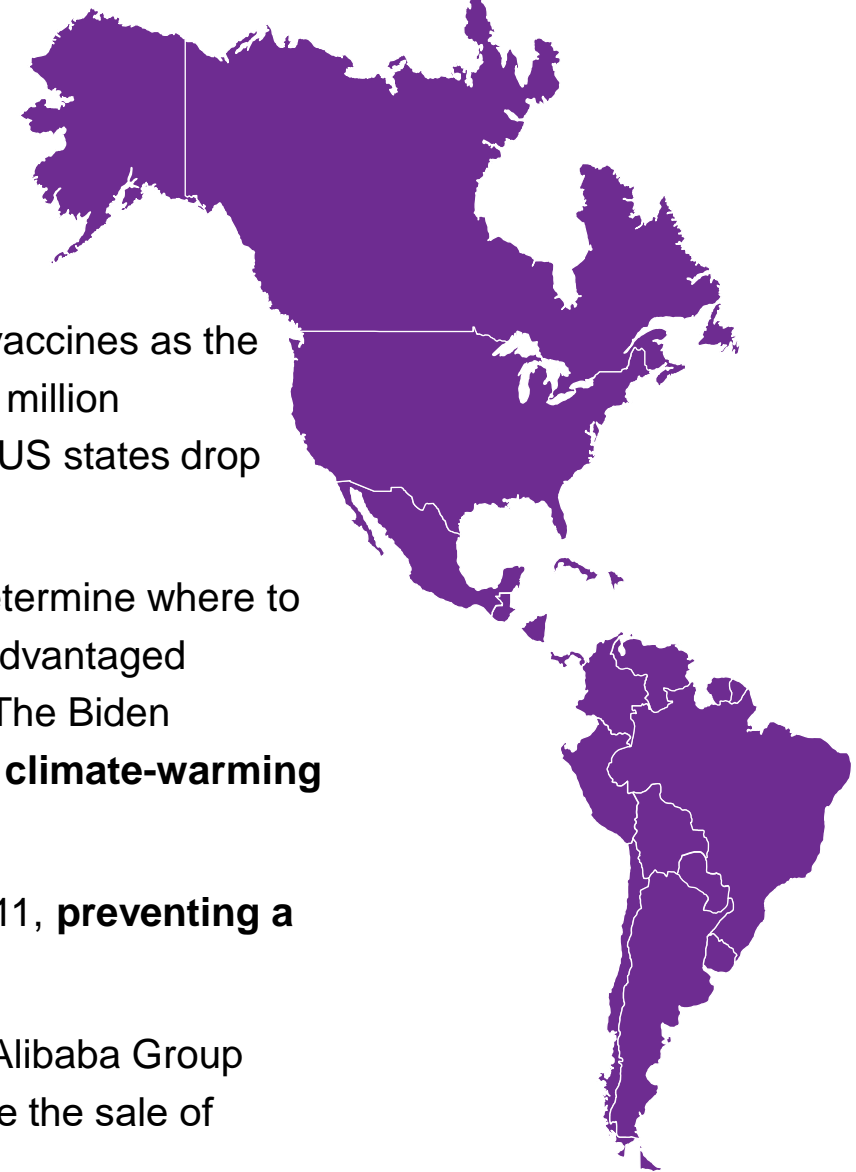
- Ottawa police warned anti-vaccine protesters of “imminent” action to clear them, days after **Canadian** Prime Minister Trudeau invoked emergency powers to deal with the protests.
- **Brazilian** presidential frontrunner Lula said that he would strengthen several key state industries if elected, disrupting plans to privatize them that are already underway. The death toll from mudslides and floods in Brazil's city of Petropolis rose to 117 and was expected to increase further as the region reels from the heaviest rains in almost a century. Since December, heavy rains have triggered deadly floods and landslides across much of Brazil, threatening to delay harvests.
- Journalists in Tijuana led protests against **Mexican** President Obrador calling on him to end a spate of violence against journalists; five media workers have been killed this year.
- **Costa Rica** imposed visa restrictions for entrants from Venezuela starting next week amid concerns over surging migration.



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Americas: US

- California will beyond its pandemic phase, focusing on readiness, vigilance and vaccines as the nation's most populous state transitions to "**living with this virus**." More than 50 million American households have received free at-home **COVID-19 testing kits**. More US states drop **mask mandates**, including Michigan and Virginia.
- The Biden Administration launched a beta version of a tool that will be used to determine where to invest billions of federal dollars to bring **clean energy and infrastructure** to disadvantaged communities, a key step in fulfilling a promise to prioritize environmental justice. The Biden Administration is expected to restore California's authority to set its own limits on **climate-warming emissions** from cars, pickups and SUVs.
- The Senate approved a measure to fund the federal government through March 11, **preventing a shutdown** that would have occurred by the end of the week.
- USTR added e-commerce sites operated by **China's** Tencent Holdings Ltd. and Alibaba Group Holding Ltd. to the "notorious markets" list of entities that allegedly sell or facilitate the sale of counterfeit goods.



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How do You Navigate the Complex Energy Market?

Volatile oil prices and the depletion of traditional hydrocarbon energy sources have made an already competitive industry even more complex. At the same time energy suppliers provide essential public services, and political pressures add another layer of complexity, as governments and regulators seek energy security and demand both price stability and cleaner energy supplies.

Dentons lawyers understand the energy industry and can give you the innovative advice and insight you need globally.

- ❖ Upstream and Downstream Oil and Gas
- ❖ Nuclear
- ❖ Hydrogen
- ❖ Renewables and Unconventional Energy
- ❖ Conventional Generation
- ❖ Transmission and Distribution
- ❖ Retail Electricity and Natural Gas Supply
- ❖ Grid Modernization
- ❖ Pipeline and Maritime Transportation
- ❖ LNG, Oil and Gas Trading
- ❖ Energy Market Reform
- ❖ Privatization of Energy Enterprises

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To learn more about the Dentons' Energy Practice, contact [Clinton Vince](#).

The Grid, the Weather and the Glacial Path Toward Resilience

By Clint Vince, chair of Dentons' US Energy Practice and Co-Chair of Dentons' Global Energy Sector, and Jennifer Morrissey, Counsel in Dentons US Energy Practice and Co-Editor-in-Chief of the Dentons Smart Cities and Connected Communities Think Tank

The last several years have conclusively taught us two things. First, we can no longer be surprised by extreme weather events in the US. And second, failure to rapidly and adequately shore up the resilience of our national electrical grid exacerbates the devastation caused by disruption.

Massive wildfires and drought are now the norm in the western states. Hurricanes strike the deep south with increased frequency and intensity. Extreme cold is no longer a phenomenon limited to the far northern regions of the country, as we learned from Winter Storm Uri last year, and searing heat can be experienced as far north as Alaska. Tornado alley is now on alert year-round, rather than seasonally. Severe flooding is as likely to strike New York City as it is the Gulf Coast or flood plains.

Not only do these events result in tremendous losses of life and property; they too often result in catastrophic electric grid disruptions causing outages and price spikes. Add to all this the toll brought by cyber intrusion, such as the ransomware attack on the Colonial

Pipeline in the Mid-Atlantic, and it becomes painfully evident that our electrical infrastructure is highly vulnerable. More focus, and more investment, is needed in resilience.

This is a challenging proposition. Service interruptions are usually viewed in terms of reliability – how do we ensure that there is available supply to meet demand? However, in our increasingly interconnected world, reliability is only one piece of the puzzle, and an easier one to address at that. Resilience – the ability to mitigate, withstand and recover from disruption, is much harder. The notion of resilience is less tangible, and therefore it is difficult to measure. More problematic, resilience requires an integrated, interdependent and interdisciplinary approach to systems.

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The Grid, the Weather and the Glacial Path Toward Resilience

The electrical grid obviously is already somewhat interconnected, at least within regions. But experts are advocating for greater interconnection among regional electric grids. For example, Winter Storm Uri did not strike only South Texas. That cold snap impacted a huge geographic region, dropping snow on more than 70% of the continental US and bringing frigid temperatures to more than half of the states from Alaska to Texas. But Texas and parts of the Southwest Power Pool were especially hard hit because of limited interconnections with electrical grids in neighboring regions. Had there been additional interregional transmission interconnections, the Texas grid would not have been as isolated, as the neighboring grids did not lose power or experience the kinds of price spikes that occurred in Texas.

A more interconnected system adds benefits beyond simply connecting additional supply to a constrained region. It adds diversity in terms of weather effects and resources. It also can help alleviate interconnection queue backlogs and mitigate resource curtailment, among other things.

But transmission planning, siting, and construction is a slow process as projects are debated and vetted by multiple stakeholder groups

and regulatory bodies all grappling with a wide range of issues and interests, including cost allocations and perceptions of public goods, NIMBYism, environmental impacts and land uses, among many others. Even once approved, transmission projects may face years of obstacles before ground is broken.

For example, a 102-mile transmission project identified in the MISO region in 2011 has only just begun construction following years of hold-ups from federal and state legal actions and has been halted yet again because of concerns about federally protected waters along the route.

Another much-needed project in New York has undergone years of public and stakeholder engagement to vet the most efficient and cost-effective transmission upgrades to reduce congestion, improve reliability, and better access renewable resources.

These projects are typical of the process. The extent of the fragmentation of US energy grids illuminates the increasing risks of disruption to energy access as severe weather becomes more common and highlights the attendant risks to individuals and businesses. Texas-based economic research firm The Perryman

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The Grid, the Weather and the Glacial Path Toward Resilience

Group estimated following Winter Storm Uri that the storm cost Texas up to \$295 billion in damages, lost wages, and decreased economic output from shuttered businesses and factories.

The delays facing transmission projects reinforce the considerable effort to achieve consensus across multiple constituencies in this complex process, revealing why incremental project-by-project decisions don't always yield optimal results.

Moreover, improving grid resilience will require more than just transmission lines because today's grid is not simply an electricity delivery system. It is the backbone for just about all major infrastructure in the digital age. Advanced telecommunications is layered onto the electrical grid, allowing it to be multi-directional and multi-functional, and, importantly, highly integrated and interdependent with other essential systems. These facets increase the benefits to investment in resilience by orders of magnitude, but it also adds risk if investment is slow, piecemeal and does not include simultaneous attention to other critical aspects, such as physical and cyber security, mobility, and equitable access to the interconnected systems.

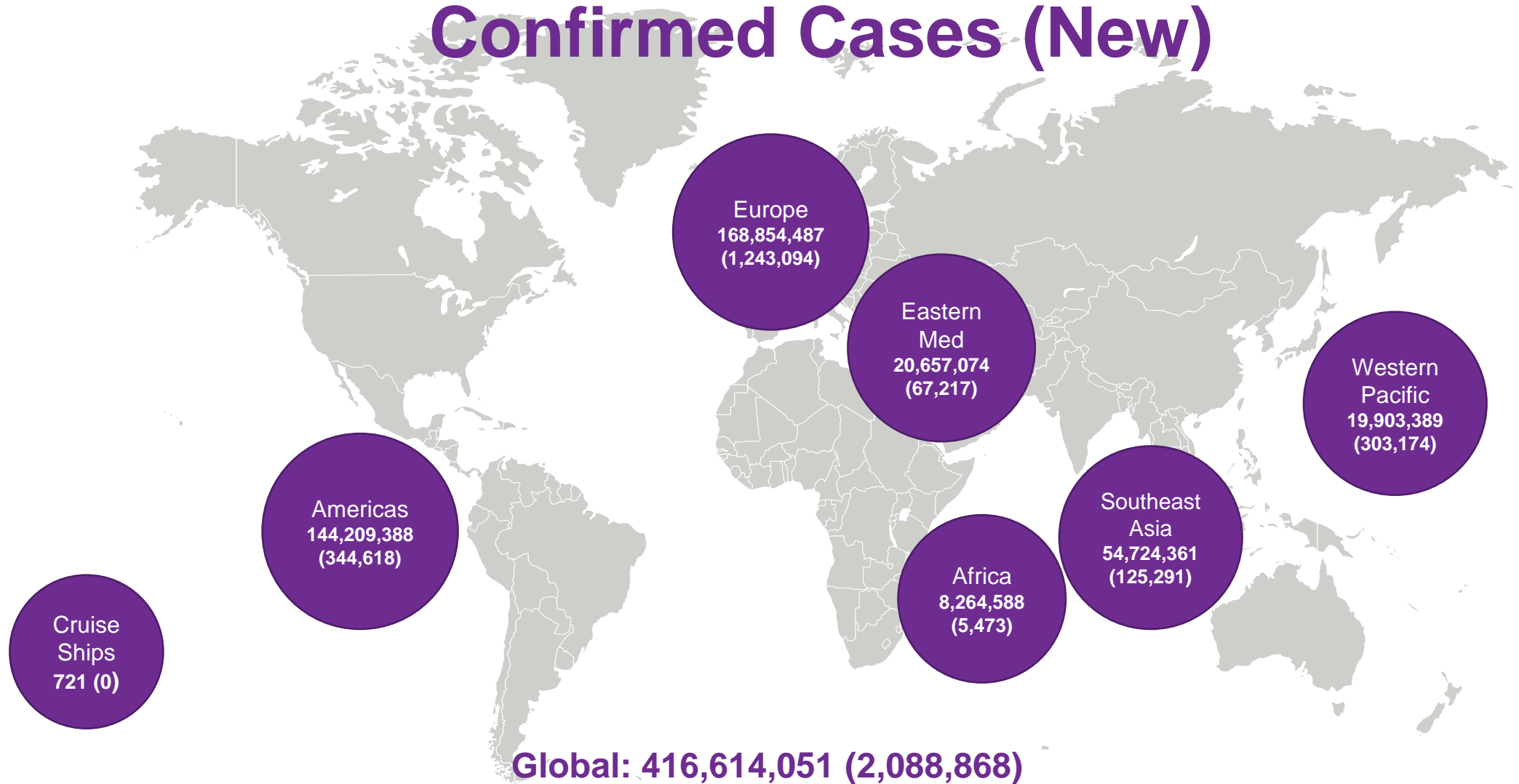
In the meantime, businesses and individuals, all of whom are reliant on the nation's electrical grids, should take into account the slow pace of reform and keep abreast of severe weather events and invest, to whatever extent possible, in backup plans to maintain business continuity. More comprehensive assessments of the benefits of additional lines between the balkanized regions of the US transmission grid could deliver broader benefits resulting in greater grid resilience and reliability, but political momentum towards such a review seems stalled at the moment.

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Coronavirus Condition Updates

As of 5:44 pm CEST on February 17, 2022

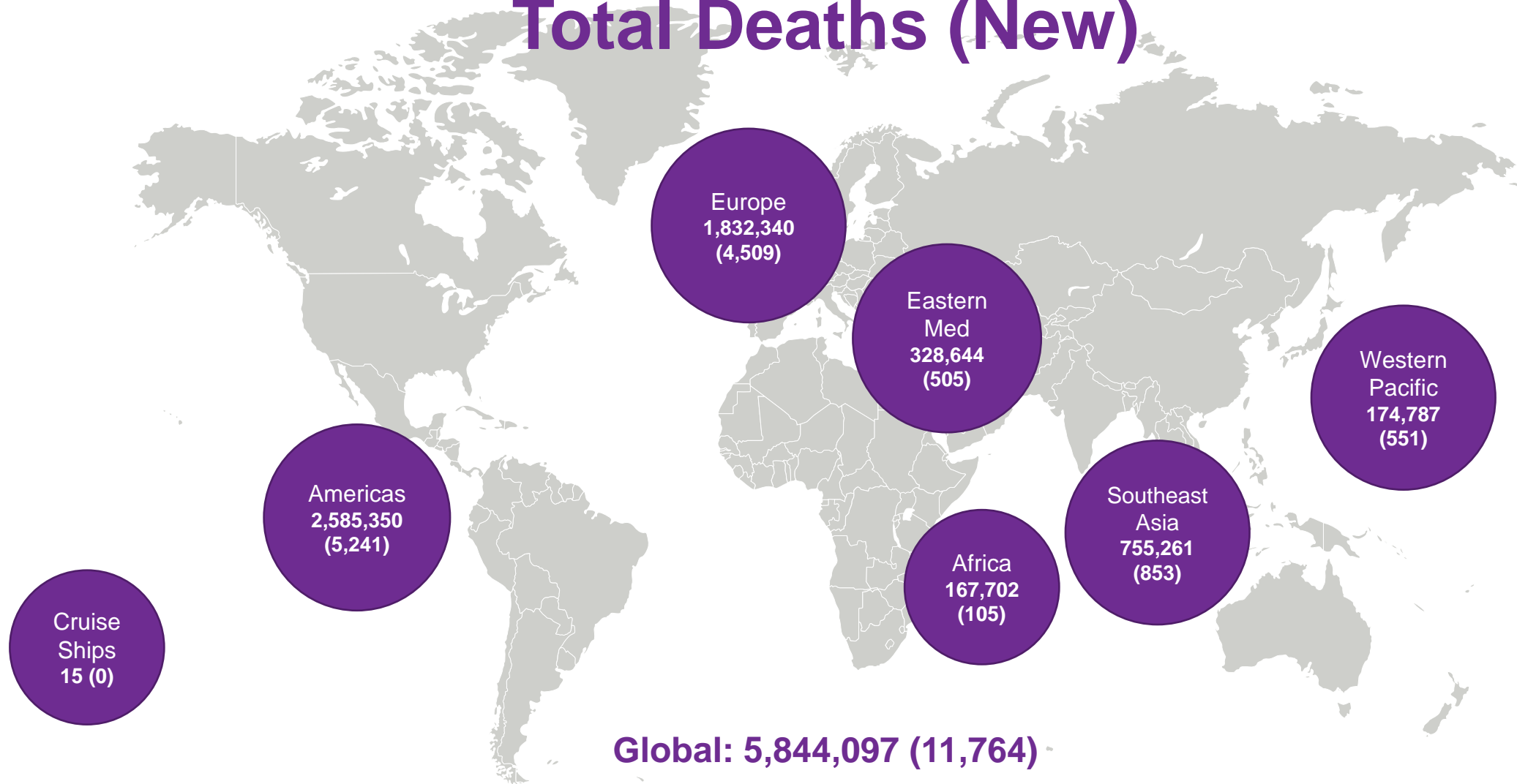
Confirmed Cases (New)



Reflects data as of 5:44 pm CEST on February 17, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:44 pm CEST on February 17, 2022.
Data Source: World Health Organization

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Contacts

This summary is based on reports sourced from among the 75 countries in which Dentons currently serves clients as well as from firms in other locations, some of which will formally join Dentons later in 2020. We are pleased to share this complimentary summary and contemporaneous assessment, with the caveat that developments are changing rapidly. This is not legal advice, and you should not act or refrain from acting based solely on its contents. We urge you to consult with counsel regarding your particular circumstances.

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