

Dentons Flashpoint

Daily Global Situation Report

February 22, 2022

Global Situation Update: February 22, 2022

KEY TAKEAWAYS

Russia begins first stage of the invasion of Ukraine.

Western governments announce new sanctions on Russia and breakaway Ukrainian regions.

New research indicates Omicron subvariant BA.2 may cause more severe illness than its parent.

Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

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WHAT WE'RE WATCHING

On Monday, Russian President Putin recognized two breakaway regions in eastern Ukraine as independent entities, with Putin describing Ukraine as an integral part of Russia's past without a tradition of genuine statehood of its own. Overnight, Russian troops began deploying to Donetsk and Luhansk. Russian armed forces will likely attack Ukrainian forces at the line of contact to secure portions of Donetsk and Luhansk not currently under separatist control. Russia is likely to pursue a phased assault on Ukraine, rather than a full-scale invasion.

The US immediately announced sanctions on Russia to include a prohibition of all new investment, trade and financing by the US entities and persons to or from the breakaway provinces. The UK and EU plan to announce new sanctions today. Additional sanctions by the US have been readied should Russia further invade Ukrainian territory. The US called for Russia to withdraw its forces, return to the diplomatic table and work toward peace.



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Global

Leaders of the international community responded to Russia's move on Ukrainian territory, condemning it as a breach of international peace and security, threatening sanctions.

- **China and India** called for restraint but stopped short of condemning the Kremlin's recognition of independence for two pro-Moscow regions in the east of the country. Some African nations, including **Kenya and Ghana**, criticized the Russian activity and compared it to colonial aggression from centuries past. **Nicaraguan** President Ortega became one of the first world leaders to back Russia's stance over Ukraine..
- Rising fears of war in Europe pushed **oil prices** to a seven-year high on Tuesday, while safe-havens currencies including the yen rallied and **global stocks** tumbled.
- **Russia's rouble** hit its weakest against the dollar in more than 15 months. J.P.Morgan analysts downgraded **Russian equities** to "neutral" from "overweight" on Tuesday.
- New research suggests that the **omicron subvariant BA.2** may cause more severe illness than its parent and more along the lines of the Delta variant. And like Omicron, it appears to largely escape the immunity created by vaccines. A booster shot restores protection, making illness after infection about 74 percent less likely.

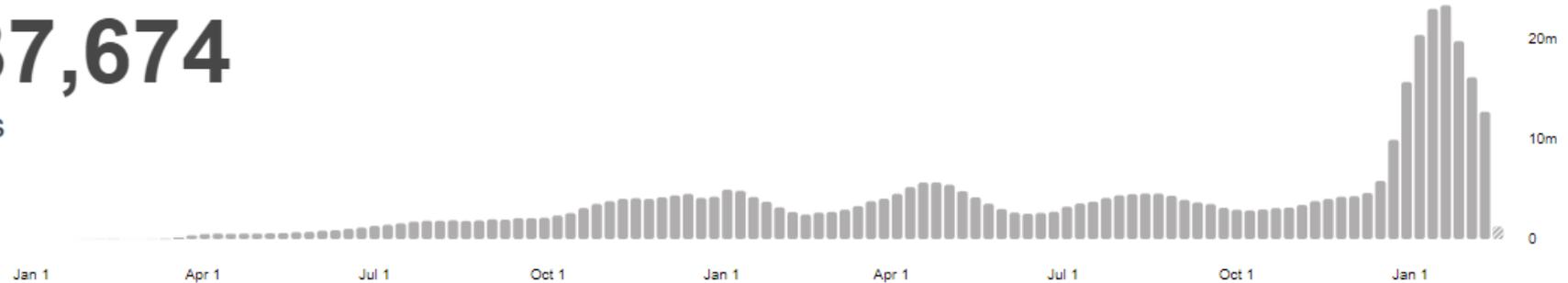
Global

Globally, confirmed coronavirus cases topped 423.4 million with 5.8 million deaths; more than 10.4 billion vaccine doses have been administered.

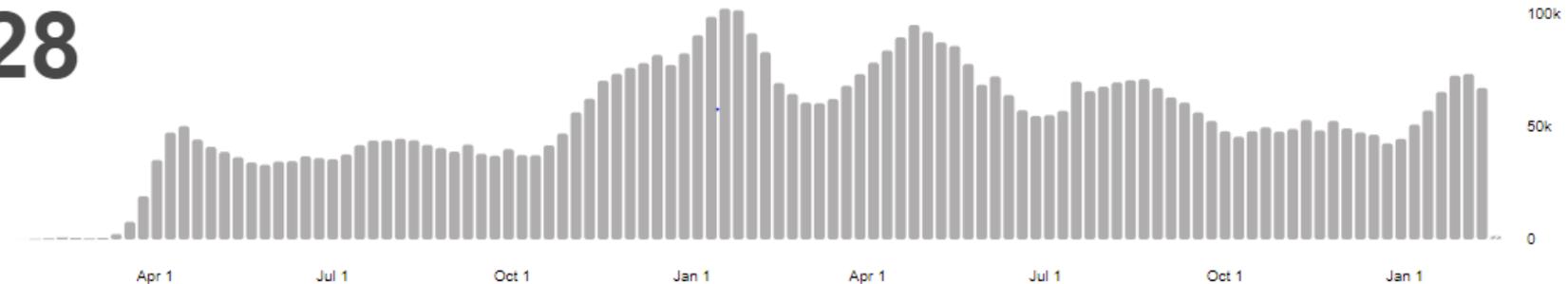
Global Situation



423,437,674
confirmed cases



5,878,328
deaths



Source: World Health Organization
Data may be incomplete for the current day or week.

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Markets & Business

Apple Inc.'s next iPhone software update will enable users to unlock their iPhone without first taking off their mask.

- A massive leak of historical account information from **Credit Suisse** ranging from the 1940s to 2010 has plunged the bank into a reputational crisis, with media accusing the bank of holding deposits of “dirty money” from human rights abusers, kleptocrats and people under sanctions. Credit Suisse rejected the allegations of wrongdoing.
- **Chevron** is looking to sell its stakes in three oil and gas fields in Equatorial Guinea, as Chevron focuses on its most profitable production hubs including the US Permian shale basin and Kazakhstan.
- **Intel Corp** is buying Israeli chipmaker **Tower Semiconductor** for \$5.4 billion, giving it access to more specialized production facilities amid soaring semiconductor demand.
- **Taiwan's Foxconn** will partner with Indian conglomerate **Vedanta Ltd** to make semiconductors in India, as the electronics giant looks to diversify its business amid a global chip shortage.
- The UAE in 2021 became the top trading hub for **rough diamonds**, overtaking Belgium. Over \$22.8 billion of rough diamonds were traded through the Gulf state in 2021.

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Environment, Sustainability & Governance

Women now make up nearly 40 percent of the boards of Britain's biggest 100 companies, compared with just 12.5 percent a decade ago.

- Mainland Portugal is facing **severe drought** conditions the month, threatening crops and water supplies across a wider area than during the last record dry spell in 2005.
- The US and the UAE are seeking an additional \$4 billion of global investment for the Agriculture Innovation Mission for Climate (AIM for Climate) launched last year to **make agriculture resilient to climate change** and reduce its emissions.
- The European Commission will unveil on Wednesday a proposal, called Corporate Sustainability Due Diligence, to make large companies operating in the EU check that their suppliers from around the world do not use **slave or child labor** and that they respect **environmental standards**.
- HSBC aims to cut **emissions associated with loans made to its oil and gas clients** by 34 percent this decade, according to the bank's sustainability chief.

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Africa

- **Mali** has taken legal action to reverse sanctions imposed by **West Africa's** monetary union, as the junta battles a debt crisis that threatens to wreck the economy. Eight-nation regional monetary authority UEMOA suspended Mali with immediate effect after the military reneged on a promise to hold early elections.
- The multi-billion-dollar Grand **Ethiopian** Renaissance Dam began producing electricity on Sunday. The dam has been a point of intense opposition by **Sudan and Egypt** out of the belief that it will cause water shortages downstream on the River Nile.
- The **US**-led annual counter-terrorism training program for African forces, called Flintlock, began on Sunday in **Ivory Coast** and bringing together more than 400 soldiers from across **West Africa**, as the region is facing threats by Islamist fighters who control large swaths of territory and political instability with coups on the rise.
- **African** Union summit in Brussels concluded with a statement on a joint vision on cooperation for 2030 while omitting controversial political issues such as security cooperation, military coups in Africa and the on-going civil war in Ethiopia. The **EU** announced an AfricaEurope Investment Package of €150 billion that will support a common ambition for 2030 and the AU Agenda 2063.



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Asia

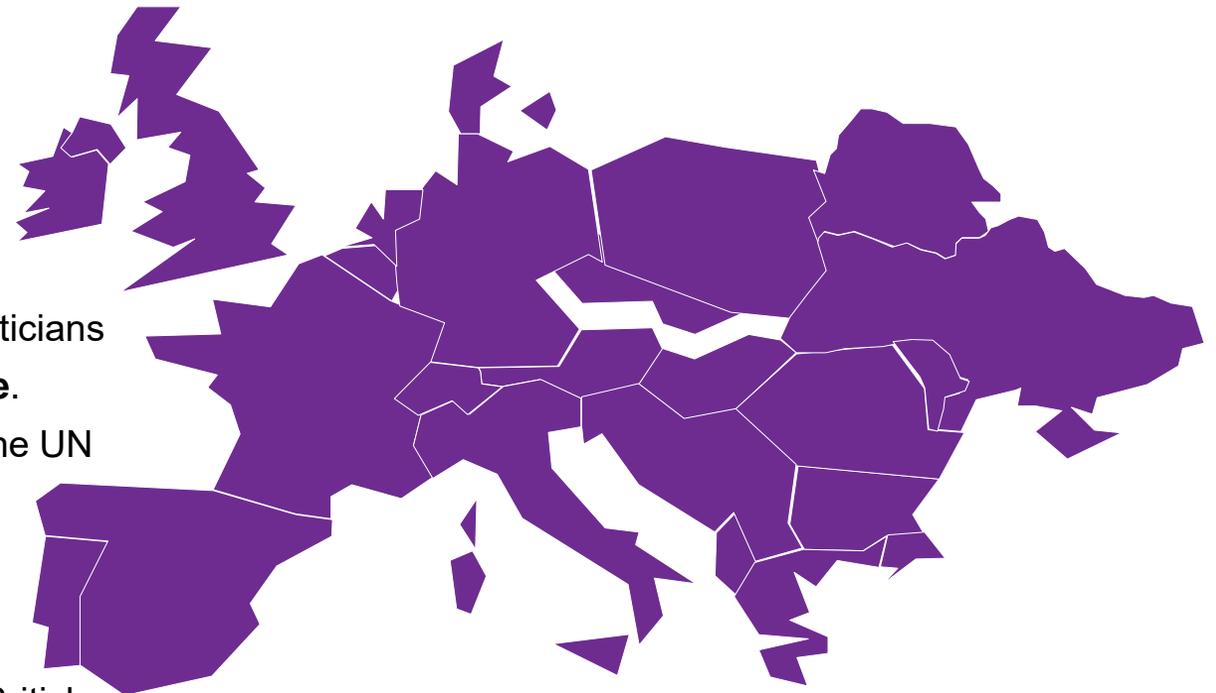
- The **EU** has imposed sanctions against almost two dozen **Myanmar** government and military officials and the state-backed oil and gas group in the wake of last year's coup.
- The foreign ministers of the **EU** member states and about 30 **Asia-Pacific** countries will meet in Paris to discuss defense, climate change and connectivity.
- **Australia** accused a **Chinese** navy vessel of directing a military-grade laser at an Australian military aircraft over Australia's northern approaches, illuminating the plane and potentially endangering lives. Such a laser is normally pointed to designate a target ahead of the discharging of a weapon.
- Police in Kathmandu broke up a protest in front of parliament against a **US**-funded infrastructure program to provide \$500 million in grants to fund a 300-kilometre (187 mile) electricity transmission line and a road improvement project in **Nepal**. Government officials said the grant will not have to be repaid and has no conditions attached, but opponents say the agreement would undermine Nepal's laws and sovereignty.
- **China** has placed Lockheed Martin Corp and Raytheon Technologies Corp under sanctions over arms sales to **Taiwan**. This is the first time the companies have faced sanctions under China's new anti-foreign sanctions law drawn up last year in response to **US** sanctions against Chinese companies.

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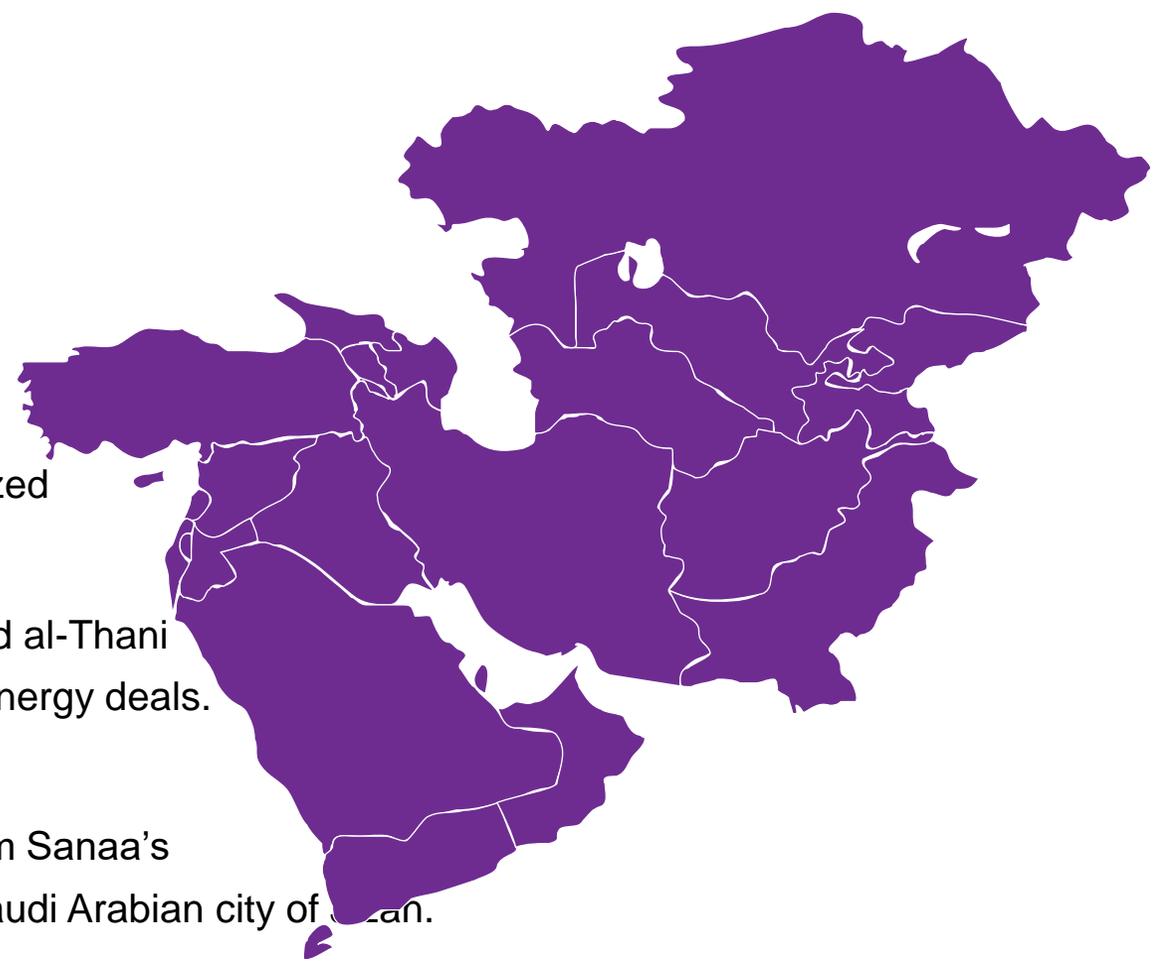
Europe

- The **US** warned the UN that **Russia** has created a “kill list” of politicians and likely leaders of resistance to Russia’s occupation of **Ukraine**. Ukraine’s president Volodymyr Zelensky called for a meeting of the UN Security Council. Russia's parliament was expected to ratify treaties with two separatist Ukrainian regions today, a step that could pave the way to Moscow building military bases there.
- The **UK** has transitioned to “living with COVID-19” posture, with British Prime Minister Johnson ending all coronavirus restrictions in England including mandatory self-isolation for people with COVID-19 and free testing.
- A **Turkish** court ruled that philanthropist Osman Kavala must stay in prison, lengthening his detention of more than four years without conviction in a case that has fueled tensions with Turkey, **Europe and the US**.
- Foreign ministers of the **EU** have met in Brussels to discuss ways to ease tensions in **Bosnia** in a bid to prevent the possible breakup of the Balkan country undergoing the most significant political crisis since the end of the 1992-1995 war.



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Middle East

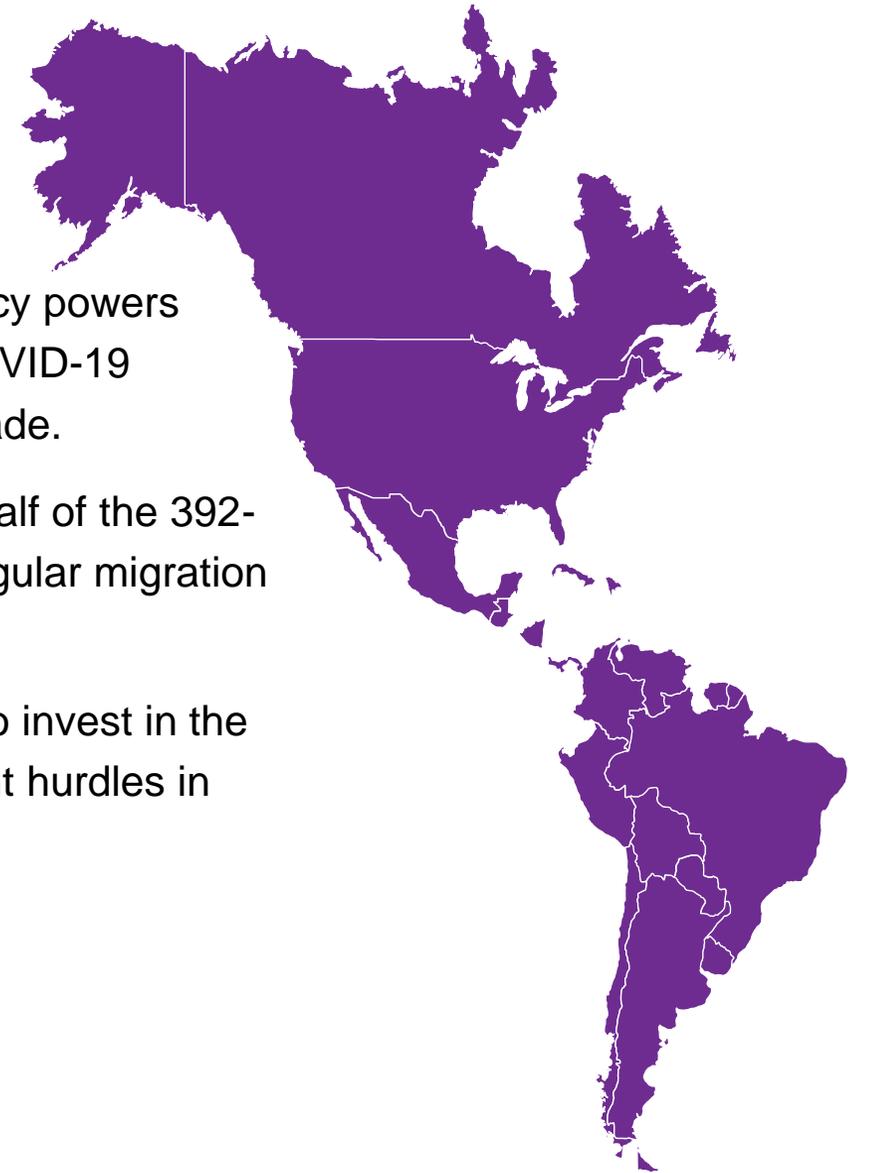


- Following talks in Rabat, **Israel** is targeting annual trade volume of \$500 million with **Morocco**, up from \$131 million currently as the two countries look to broaden cooperation since they normalized relations in 2020.
- **Iran's** President Raisi and **Qatar's** Emir Sheikh Tamim bin Hamad al-Thani signed a number of bilateral agreements in Doha, including two energy deals. Raisi is the first Iranian president to visit Doha in 11 years.
- **Saudi Arabia** said its forces had destroyed a drone launched from Sanaa's airport in **Yemen** towards King Abdallah airport in the southern Saudi Arabian city of Jeddah.
- **Jordan's** royal palace sought to discredit leaked information on money held by Jordan's King Abdullah in accounts at Swiss bank Credit Suisse as "inaccurate, old and misleading" information.

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Americas

- **Canada's** legislature approved extending the use of the special emergency powers invoked last week by Prime Minister Trudeau to quell protests against COVID-19 mandates, which had paralyzed the capital and disrupted cross-border trade.
- The **Dominican** government began building a wall that will span almost half of the 392-kilometre (244 miles) border with **Haiti**, its only land neighbor, to stop irregular migration and the smuggling of goods, weapons and drugs.
- **El Salvador** President Bukele seeks to grant citizenship to foreigners who invest in the Central American country as well as other initiatives to reduce government hurdles in order to attract investment projects.



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Americas: US

- The Biden administration will soon make more high-quality **masks** available for kids. All members of Congress will be allowed to attend President Biden's first State of the Union address, but they must follow COVID-19 health guidelines, including masking. Washington State and New Mexico are lifting their indoor mask mandates.
- The Interior Department has paused **oil and gas lease sales** on public lands after a federal judge barred the government from considering climate damages in major decisions.
- The jury has begun deliberating the **hate crimes case** in the Arbery murder trial. Not-guilty verdicts will reverberate on the streets of America amid calls for social justice.
- The State Department moved its personnel from **Ukraine** to Poland amid fears of Russia's imminent invasion. The US assesses that Russian President Putin seeks to undo the post-World War agreements that saw NATO and EU influence expand into former Soviet Union states and satellites.



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How do You Manage Risks?

The coronavirus pandemic has not just added a new layer of risk for business leaders to navigate, but has accelerated drivers of change, including disruptive technologies, political and economic realignments and cultural priorities on equality, justice and conservation, while increasing vulnerabilities that bad actors seek to exploit.

Dentons Intelligence and Security Services Group offers bespoke services to provide business leaders with the intelligence they need to understand and thrive in complex operating environments.

- ❖ due diligence and compliance investigations
- ❖ physical and cyber security assessments
- ❖ country and political risk assessments
- ❖ enterprise risk management and organizational resiliency advice
- ❖ crisis and incident response (physical security breaches and cyber incidents, insider threats and reputational impacts)

To learn more about the bespoke intelligence and risk services from Dentons, contact [Karl Hopkins](#).

Lithium: The Race for “White Gold”

By Matthew Gardell

As demand soars for electric vehicles, businesses are on the hunt for the strategic mineral lithium—sometimes referred to as “white gold.” However, the growth of lithium mining comes with distinct opportunities and risks for businesses.

As the adoption of electric vehicles become more widespread in an effort to offset fossil fuel emissions, steady access to lithium is becoming crucial for the burgeoning industry. Governments and automakers are increasingly investing in charging infrastructure and battery production, such as the new initiative by the Biden Administration to invest \$5 billion to boost public electric vehicle charging infrastructure. As a result, by 2030 electric vehicle growth is projected to be responsible for more than 90 percent of demand for lithium, which is the key component in electric vehicle batteries. As lithium becomes increasingly critical to global transportation, industry and production, extraction has become controversial due to myriad pressures including its environmental impact, accusations of “greenwashing,” geopolitical concerns around access to lithium supply, and price fluctuations in the commodities market.

Concentration of Lithium Resources

The majority of the world’s lithium is mined in Australia, South America (in the so-called “Lithium Triangle”—Chile, Argentina and Bolivia) and China, with the latter controlling 80 percent of the world’s lithium refining capacity. Currently, only one lithium mine operates in the United States, the Silver Peak mine in Clayton Valley, Nevada. However, the US has untapped lithium reserves, and companies are eager to develop mining projects. California, for example, plans on turning the Salton Sea (a landlocked, highly saline lake in southern California) into “lithium valley” due to the lake in southern California) into “lithium valley” due to the lake reportedly having a level of output that would surpass last year’s entire global lithium production. As electric vehicles become an important

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Lithium: The Race for “White Gold”

centerpiece of climate action plans, other regions, particularly Europe, are rushing to find and extract lithium deposits.

Given that China is currently the global leader in lithium processing and EV battery manufacturing, the increasing salience of great power competition in the global market presents supply chain risks. Should great power competition continue to drive decoupling of supply chains, the countries of the Lithium Triangle may face pressure to reorient their exports away from China which would roil the global EV battery value chain. There is a trend towards resource nationalism and localizing supply chains, especially towards a strategic mineral like lithium. Efforts in the US and Europe to develop indigenous lithium supplies are likely as much about offsetting costs and increasing global supply as they are about avoiding future dependency on Beijing.

Pollution and Environmental Risks

Increased reliance on lithium comes with certain risks for businesses. Although lithium is an essential metal for battery cells to power environmentally friendly electric vehicles, the mining process itself may be environmentally destructive. Lithium mining could lead to water shortages, toxic chemical runoff and the release of toxic

dust into local communities. Environmental activists have forced companies to shut down lithium mining sites amid accusations of using “greenwashing” to cover up environmental damage. In January, Serbia revoked Rio Tinto’s lithium exploration licenses, following large-scale protests by environmental activists. The Serbia mine was slated to become one of Europe’s biggest lithium extraction sites.

ESG Concerns and Volatility in the Commodities Market

As ESG investments become more popular and markets develop regulations and disclosure requirements for environmentally friendly investments, lithium mining and production may come under greater scrutiny from ESG-conscious investors who are looking to meet targets. During pre-feasibility study stages, investors will check the ESG credentials of lithium mining companies and may choose to abandon an investment based on environmental risks.

Some markets, however, are making efforts to make lithium investing more sustainable; the European Commission has sought new rules requiring lithium batteries to be sustainable throughout their lifecycle, placing new costs on producers but insulating investors from risk. Other market-related risks include volatility in the commodities

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Lithium: The Race for “White Gold”

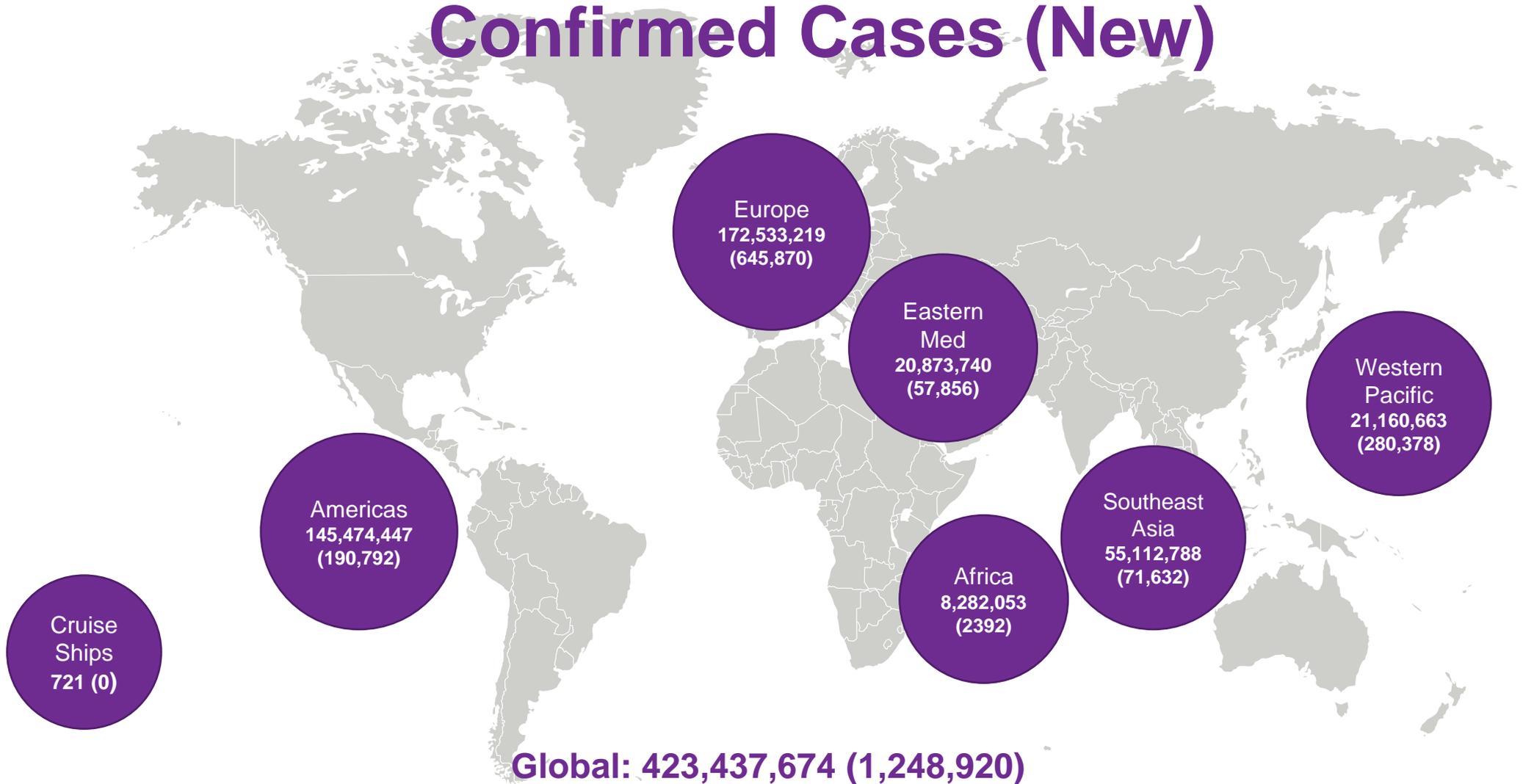
market, price fluctuations and supply chain concerns. As consumers switch to electric vehicles, demand for lithium is expected to outpace global supply. In the past year, lithium prices have also spiked due to increased demand and COVID-related disruptions. In the near-term, the expectation is that price gains will continue. Lithium-ion batteries may become more expensive, not less – keeping the cost of electric vehicles high for consumers, a barrier in the transition away from fossil -fueled vehicles.

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Coronavirus Condition Updates

As of 7:36 pm CEST on February 21, 2022

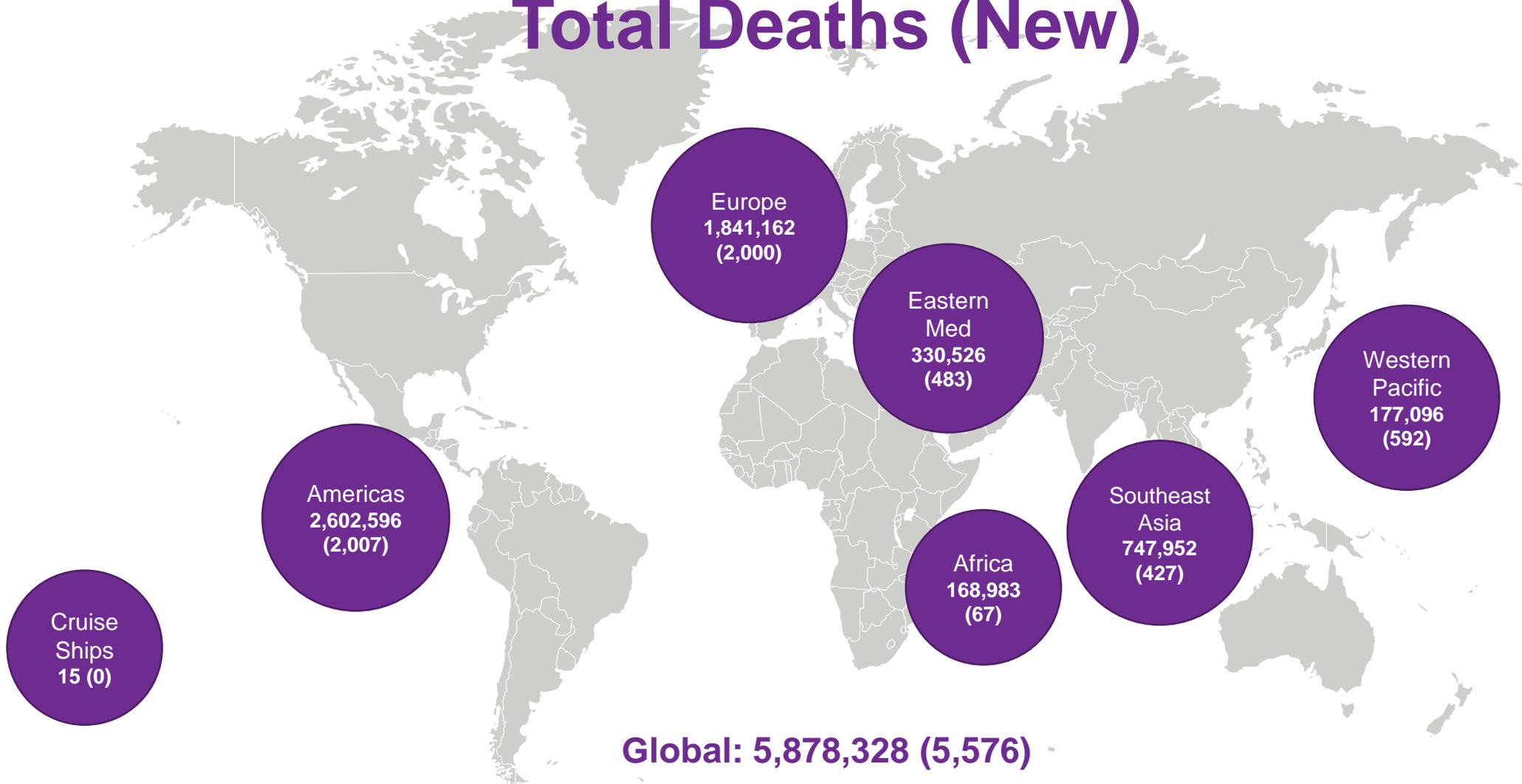
Confirmed Cases (New)



Reflects data as of 7:36 pm CEST on February 21, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 7:36 pm CEST on February 21, 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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