

Dentons Flashpoint

Daily Global Situation Report

February 24, 2022

Global Situation Update: February 24, 2022

KEY TAKEAWAYS

Russia begins full-scale invasion of Ukraine.

Oil prices rose above \$100 a barrel for the first time since 2014.

The UN warned that a war in Europe could displace 5 million people, sparking a new refugee crisis.

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

Over the next two days, the security environment in 12 of Colombia's departments is at an elevated risk of violence as the National Liberation Army (ELN), a Marxist-Leninist group, conducts an "armed strike" to protest the administration of President Iván Duque ahead of elections this spring. The ELN will likely attack government forces and energy grid and fossil fuel infrastructure, but not businesses in major cities.

The ELN, which is fighting Colombia's government since 1964, has warned civilians to avoid all road, air and river transport in the 12 departments to "avoid unfortunate consequences." Companies with assets and personnel operating in rural areas are advised to raise internal alert levels and adjust their transport, supply and maintenance schedules to reduce exposure.

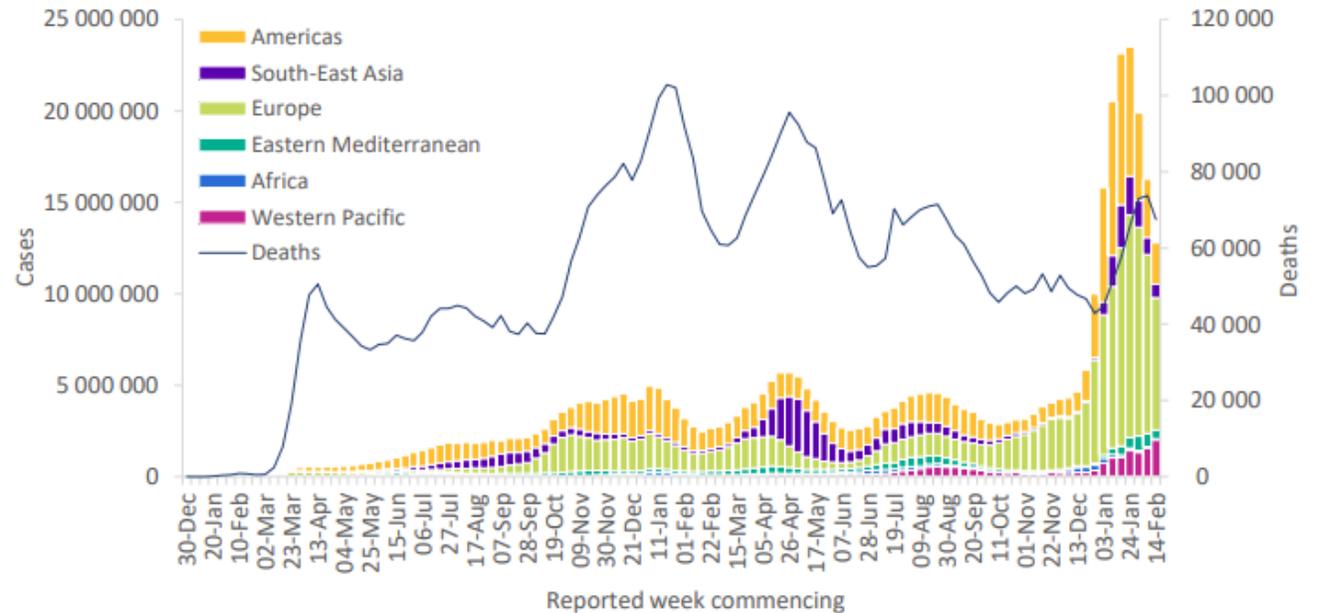


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Global

Globally, confirmed coronavirus cases topped 426.6 million with 5.8 million deaths; more than 10.4 billion vaccine doses have been administered. During the week of 14 to 20 February 2022, the number of new COVID-19 cases and deaths decreased by 21 percent and 8 percent respectively, compared to the previous week. At the regional level, the Western Pacific Region reported a 29 percent increase in the number of new weekly cases while all other regions reported decreases.

Figure 1. COVID-19 cases reported weekly by WHO Region, and global deaths, as of 20 February 2022**



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Global

Russia began large-scale invasion of Ukraine, with Russian forces advancing over the border into the eastern Chernihiv, Kharkiv and Luhansk regions, and landing by sea at the port cities of Odessa and Mariupol in the south.

- Explosions could be heard before dawn in the capital Kyiv. Putin called on the Ukrainian military to lay down their arms. **Ukraine** breaks diplomatic ties with Russia and declared a state of emergency.
- The UN warned that a war in Europe could displace 5 million people, sparking a **new refugee crisis**, as well as prompting a spike in food prices.
- **China** reiterated on Thursday a call for all parties involved in the situation in Ukraine to exercise restraint and declining to characterize Russia's actions as an invasion.
- **US** President Biden vowed that “The world will hold Russia accountable.”
- Leaders of the **Group of Seven** nations will meet today to discuss the unfolding crisis. Western leaders pledge additional sanctions on Russia.
- The WHO announced that it was standing up a second hub for training low- and middle-income countries to produce **vaccines** in South Korea; the first hub was established in South Africa last year.
- A **fourth shot of Sinopharm vaccine** does not boost protection against Omicron, per a new Chinese study.

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Markets & Business

Most major Asian stock indexes fell about 3 percent, and markets in Europe dropped at similar levels in the early hours.

- **Oil prices** jumped today, with Brent rising above \$100 a barrel for the first time since 2014, after Russia attacked Ukraine exacerbating concerns about disruptions to global energy supply. Officials in key OPEC producers said Thursday they saw no immediate need to increase oil supply.
- The **rouble** bounced off all-time lows on Thursday as the central bank announced FX interventions. Facing sanctions, **Sberbank** shares lost nearly 40 percent in a day on Thursday. The dollar-denominated **RTS stock index** (.IRTS) dropped 28 percent, deep in the correction zone.
- Britain's biggest domestic lender Lloyds said it was on "heightened alert" for **cyberattacks** from Russia as the crisis in Ukraine has worsened.

Environment, Sustainability & Governance

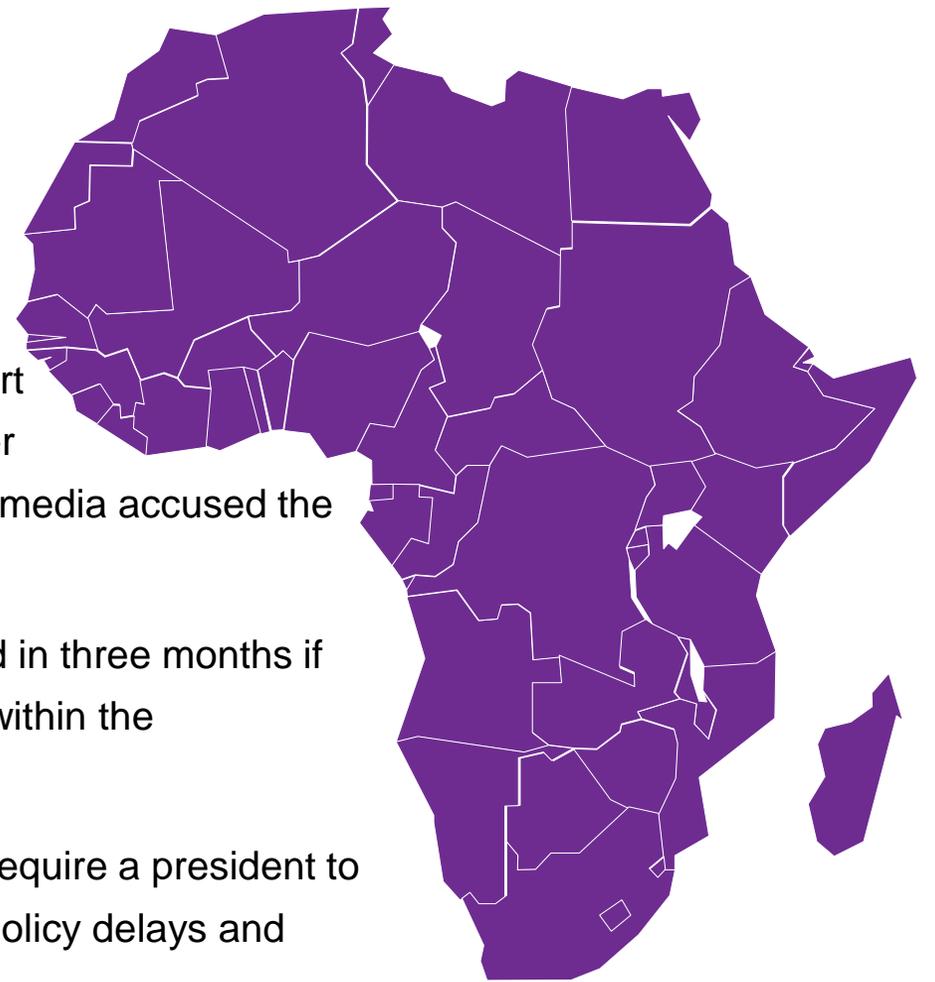
BlackRock Inc. and Warner Music Group Corp. have invested \$750 million in a fund to amass music-rights catalogs from female and diverse artists.

- The OECD found in a new report that less than 10 percent of the **plastic** used globally is recycled.
- Chipotle Mexican Grill became the latest company to tie **executive pay to ESG goals**, including supply chain sustainability and workforce diversity.
- Visa announced a plan to invest \$100 million in Minority Depository Institutions (MDIs) to help catalyze lending to historically underserved populations in an effort to reduce **economic disparities**.
- A group of 36 major personal care and cosmetics companies including Unilever, The Estée Lauder Companies and L'Oréal Groupe announced the launch of the EcoBeautyScore Consortium, a new initiative to develop an industry-wide **environmental impact assessment and scoring system for cosmetics products**.

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Africa

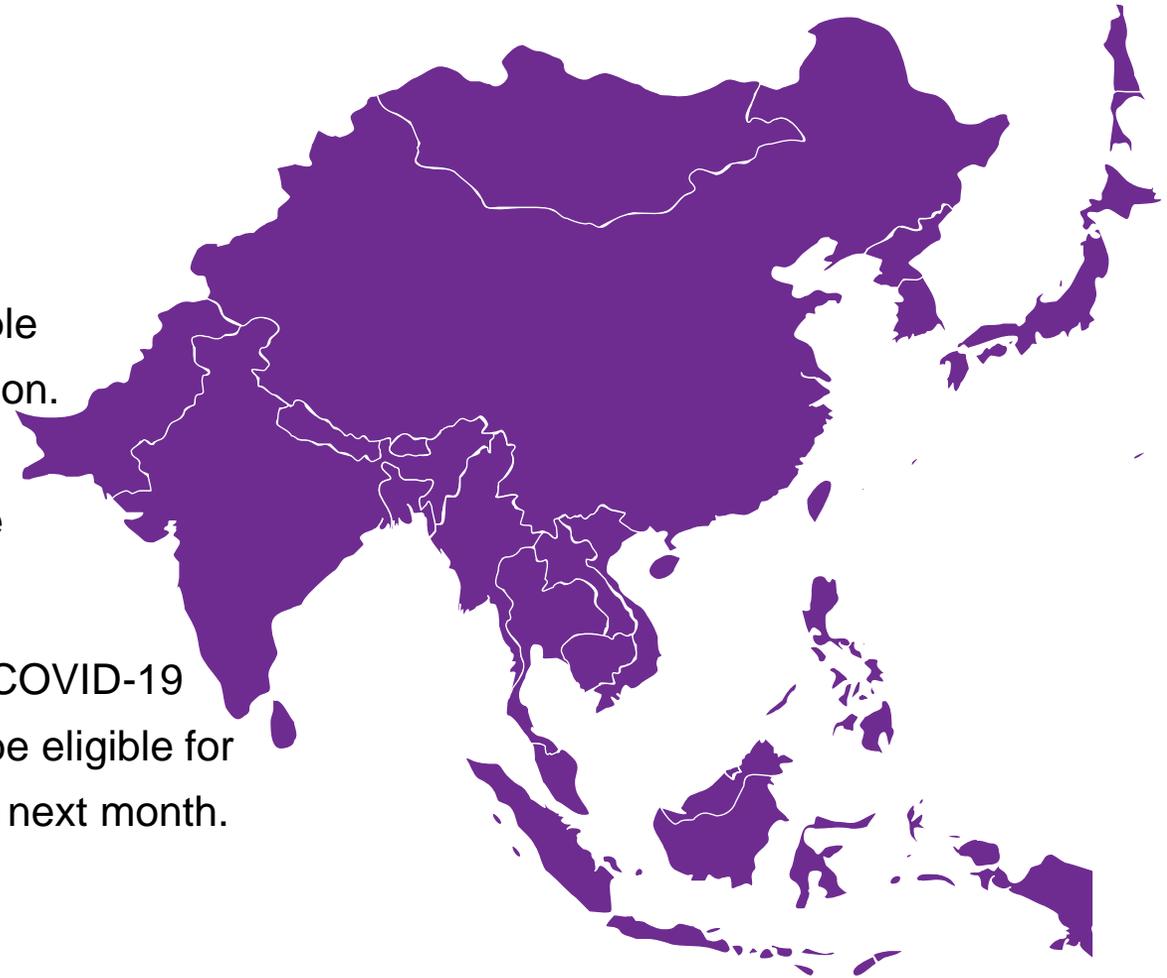
- The Secretary General of the UN called for the immediate release of four French soldiers serving under UN auspices who were detained at an airport in the **Central African Republic** earlier this week; the demand comes after officials initially assumed the detention was a mistake, and regional social media accused the soldiers of attempting to assassinate the CAR president.
- The IMF warned **Somalia** that its programs in the country could be paused in three months if the country does not hold elections, long-delayed over political wrangling within the government.
- **Nigerian** lawmakers are reportedly planning to amend the constitution to require a president to name their cabinet within one month of their swearing in in a bid to avoid policy delays and political confusion.
- **Burkina Faso's** coup leaders are reportedly considering a 30-month transition plan to a democratic government, a longer timeline that will likely not satisfy ECOWAS or western observers.



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Asia

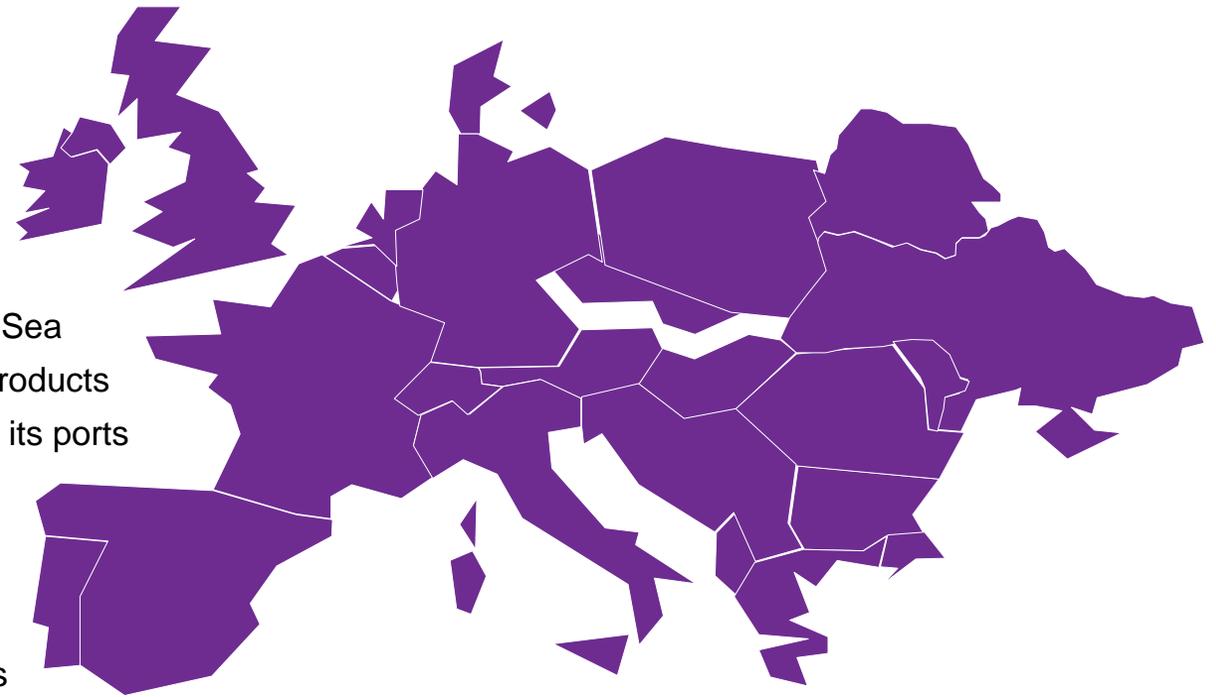
- **Hong Kong** rolled out a vaccine passport that requires people aged 12 and above to have at least one COVID-19 vaccination. Hong Kong's government invoked emergency powers to allow doctors, nurses and other personnel from the **Chinese** mainland to help combat a spiraling coronavirus outbreak.
- **Japan** will accept international travelers showing proof of a COVID-19 vaccination with the Johnson & Johnson shot, and who will be eligible for a shorter time in quarantine when border controls are eased next month.
- **Singapore** delayed easing of curbs as cases surge.
- Infections in **Thailand** hit a record high.
- **Cambodian** Prime Minister Hun Sen and **Malaysian** counterpart Ismail Sabri Yaakob met in Phnom Penh and discussed strengthen bilateral ties and cooperation in trade and investment, defense and security, tourism, education, labor, and the post-pandemic economic recovery.



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Europe

- **Russia** has suspended movement of commercial vessels in the Azov Sea until further notice, which will disrupt the supply chain for agriculture products and other commodities from the **Ukraine**. Russia said it will keep its ports in the Black Sea open for navigation. Russian's Defense Ministry claimed it subdued Ukrainian air defenses and knocked out the country's airbases.
- Long lines of cars jammed the road leading outside Kyiv and residents massed at the railway station as **Russian** troops launched its invasion of **Ukraine** on Thursday. Kyiv Mayor Vitaly Klitschko advised residents to stay home unless they are involved in critical work and urged them to prepare go-bags with necessities and documents if they need to evacuate.
- On Wednesday, the **EU** sanctioned **Russia's** defense minister, President Putin's chief of staff, the foreign ministry spokesperson and several army commanders. The EU has also targeted high-ranking officials linked to the country's financial and banking system, such as Russia's deputy prime minister and chair of the supervisory council of the state-owned VTB bank, and chairman of the state development bank Vnesheconombank.
- **Italian** Prime Minister Draghi has announced that Italy will lift its COVID-19 state of emergency on March 31. Several other European countries have also announced a lifting of anti-COVID restrictions, including **Iceland, Poland, and Slovakia**.



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How do You Manage Risks?

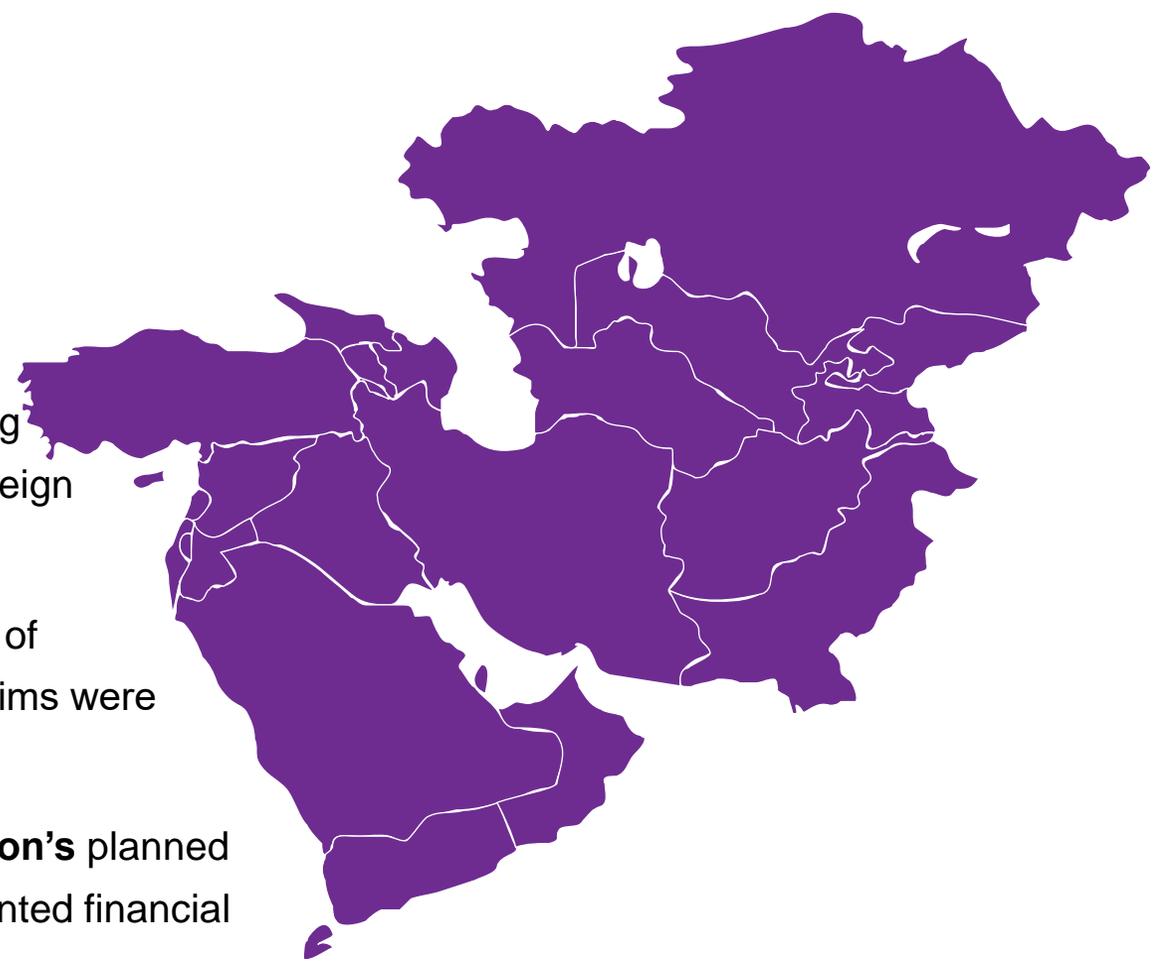
The coronavirus pandemic has not just added a new layer of risk for business leaders to navigate, but has accelerated drivers of change, including disruptive technologies, political and economic realignments and cultural priorities on equality, justice and conservation, while increasing vulnerabilities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

Middle East



- The **US** announced sanctions on an international illicit financing network that supports the Iran-backed Houthis in **Yemen**, following pressure for President Biden to re-designate the Houthis as a Foreign Terrorist Organization amid heightened attacks.
- The UN voted to end **Iraq's** requirement to repay **Kuwaiti** victims of Saddam Hussein's invasion, after 15 percent of \$352 billion in claims were repaid this year.
- The **EU** said that it would send representatives to observe **Lebanon's** planned May election, which comes as the country is facing an unprecedented financial and political crisis.
- The IMF reported that it had made "*good progress*" in talks with Tunisia's government for a rescue package aimed at averting financial crisis.

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Americas

- A new report finds that gas flaring in **Mexico** jumped by 50 percent since 2018, increasing emissions and endangering the country's climate goals.
- **Haitian** police opened fire on protesters gathered in Port-au-Prince to demonstrate for higher wages, leaving at least one person, a reporter, dead and several other injured.
- **Canadian** Prime Minister Trudeau officially ended rarely-used emergency powers, which he invoked nine days ago to counter anti-vaccine protests in Ottawa.
- A Sandinista judge y convicted seven **Nicaraguan** political and business leaders, including three would-be presidential candidates, of conspiring to damage the country's sovereignty. Prosecutors requested sentences from eight to 13 years in prison, friends of the defendants said. Relatives and defense lawyers described the trial as a farce.



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Americas: US

- While **coronavirus shots** still provided protection during the omicron wave, the shield of coverage they offered was weaker than during other surges, according to new data from the CDC.
- **Black women** in the United States were nearly three times as likely to die during or shortly after pregnancy over the first year of the COVID-19 pandemic than white women, according to a new report by the National Center for Health Statistics, which attributed the trend to lockdowns, disruption to maternity services, and fear of attending healthcare facilities.
- Three men pleaded guilty on Wednesday for their roles in conspiring to attack US power grids in 2019, as part of a plot motivated by **white supremacy** to sow civil unrest and economic distress. The FBI said 57 historically Black colleges and universities, places of worship, and other faith-based and academic institutions received bomb threats between January 4 and February 16. The bureau is investigating the incidents as **hate crimes**.
- The Biden Administration announced dozens of measures the federal government can take to strengthen freight transportation and infrastructure following almost two years of **supply-chain** turmoil that has fuel inflation. The US launched its largest ever sale of offshore wind development rights in an area covering nearly half a million acres off the coasts of New York and New Jersey.
- The Justice Department is ending a Trump-era initiative to counter national-security threats from **China** after it led to a series of failed prosecutions of academics that sowed broad distrust in the higher-education community.



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Russian Full-Scale Invasion of Ukraine

Thursday morning, President Vladimir Putin authorized "a special military operation" against Ukraine to eliminate what he called a serious threat, saying his aim was to demilitarize Russia's southern neighbor. Western powers have been warning that Russia had the forces in place surrounding Ukraine to launch an invasion at any time. First rounds of Western sanctions failed to deter Putin, putting in motion a military operation which will likely move very fast in order to establish facts on the ground that will not be easily reverse without Western military intervention, which is unlikely to happen. The US and NATO is focused on hardening the lines of NATO states that border Russia, effective red lines to contain Russian aggression.

Putin's intentions are unclear at this time. He might seek to annex Ukraine under the pretense that it is historically Russian territory and the ethnically Russian people of Ukrainian wish to be reunited to the Motherland. Russian state TV set information conditions to justify to the Russian people a full-scale invasion and occupation of Ukraine. State media denied Ukrainian sovereignty and circulated repeated fabricated claims of Ukrainian aggression by an illegitimate leadership. Alternatively, Putin could intend to install a puppet government in Kyiv, that will align Ukrainian policy with Moscow. However, Russia would not have needed to launch a full scale

invasion to accomplish the latter, which suggests that the Kremlin sees current conditions amenable to maximalist goals.

Incoming Sanctions

Western leaders have a toolkit of sanctions ready to deploy. The persistent disagreement among leaders has been the sequencing of these sanctions for best deterrence impact. There will be continued disagreement among western leaders on this issue, the infection point being viewpoints over Putin's intentions. Those believing annexation is the strategic goal will want to impose the so-called "nuclear options" for sanctions. Those thinking that Putin will be satisfied by restoring Ukraine to the Russian sphere of influence with a pro-Kremlin government will look at the conflict through a different lens – one that remembers that Ukraine once was in the pro-Russian camp and Europe was able to manage the politics short of war and short of paying steep domestic economic costs.

Impact from the lighter end of the scale will be moderate, increased volatility of the rouble, downgrading of Russian credit and a small economic shock that will be absorbed but will also serve as a marker that more economic weapons remain to be deployed with greater impact. Middle of the road sanctions will be similar to what Russia

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Russian Full-Scale Invasion of Ukraine

experienced after its invasion of the Crimea, with the economy contracting for two years while Russians adjusted and reoriented business to more reliable suppliers and export markets. The impact of the hardest hitting sanctions would likely be severe and prolonged, especially if Russia is cut off from the western financial system. Russia would likely partner with China to evade sanctions while launching alternative payment systems (which are already being built in anticipation of such a scenario.)

Second Order Effects

The turmoil in Ukraine will not stay in Ukraine and can be expected to overflow borders. The most immediate second order effect will be the flow of refugees. The intensity of the flow will be greater than during the Crimea invasion because of uncertainty over Russian plans to occupy and/or annex the country. Citizens will be concerned over the prospects of border closures as the conflict expands. The Russian playbook includes creating tensions with refugee host communities to reduce willingness for border zones to become safehavens for future resistance.

Russian will fan dissent in Europe in order to divide European leaders. Russian propaganda will seek to create anxiety over the

cost to Europeans in the form of economic scarcity, market volatility and risks of a broader European war. There will likely be a flurry of media operations shut down in Europe and Russia, as parties seek to restrict propaganda channels. Social media, however, will become a propaganda battleground.

Impact for Western Businesses

Western businesses operating in Ukraine, Russia and European countries bordering Russia should be focused on business continuity planning and execution. Events are likely to move rapidly. Beyond supply chains being disrupted, businesses in conflict zones and neighboring countries could experience failure of critical infrastructure, including electricity grids, telecommunications and transportation networks.

Western embassies will seek to stay open to maintain critical communication links to the Kremlin, but their ability to offer support to citizens in distress will be reduced. There has also been discussion that expanded sanctions could include Aeroflot's landing rights in Europe and the US. This would disrupt air travel as Russia would likely retaliate.

Eastern Mediterranean Gas: Pipeline Politics and Energy Transition

Amid the energy security crisis brought on by the Ukraine crisis and the increased risk of supply disruptions of Russia gas flowing to Europe, western governments are scrambling to identify alternative sources of energy for the European market.

Short term measures include redirecting Liquid Natural Gas (LNG) shipments from Asian customers to Europe. The US has also increased LNG shipments from its export terminals to meet European demand. Now, policymakers are looking beyond the immediate challenge to address European energy security for the medium to long term, seeking to diversify gas supplies from Russian sources, which last year met 40 percent of Europe's needs. At first glance, Eastern Mediterranean gas seems well positioned as an alternative source. The recent decision by the US and EU to walk away from the proposed EastMed sub-sea pipeline to carry natural gas from the eastern Mediterranean to Europe, however, reflects the complicated policy tradeoffs in a time of energy transition and

regional disputes. It also signals supply risks ahead in the sequencing during the transition.

Tapping Potential of Eastern Med Gas

Researchers estimate that the eastern Mediterranean area, known as the Levantine basin, has proven reserves of more than 60 trillion cubic feet of gas, and the US Geological Survey has estimated that as much as 122 trillion cubic feet of gas and 1.7 billion barrels of oil lie in the basin. That amount of gas is equivalent to about 76 years of gas consumption in the European Union. The region has major gas fields including Tamar, Leviathan, Aphrodite, Zohr, Calypso and Glaucus.

The Levantine basin has been under active exploration and development since 2009, with Israel leading with the development of the Tamar field, which began producing in 2009. Egypt also is producing gas from fields within its Exclusive Economic Zone (EEZ). There have also been major discoveries off the shores of Greece and Cyprus. The Eastern Mediterranean Gas Forum (EMGF) was formed in 2019 to *"to foster cooperation and initiate a structured and systematic policy dialogue on natural gas, potentially leading to the development of a sustainable regional gas market."*

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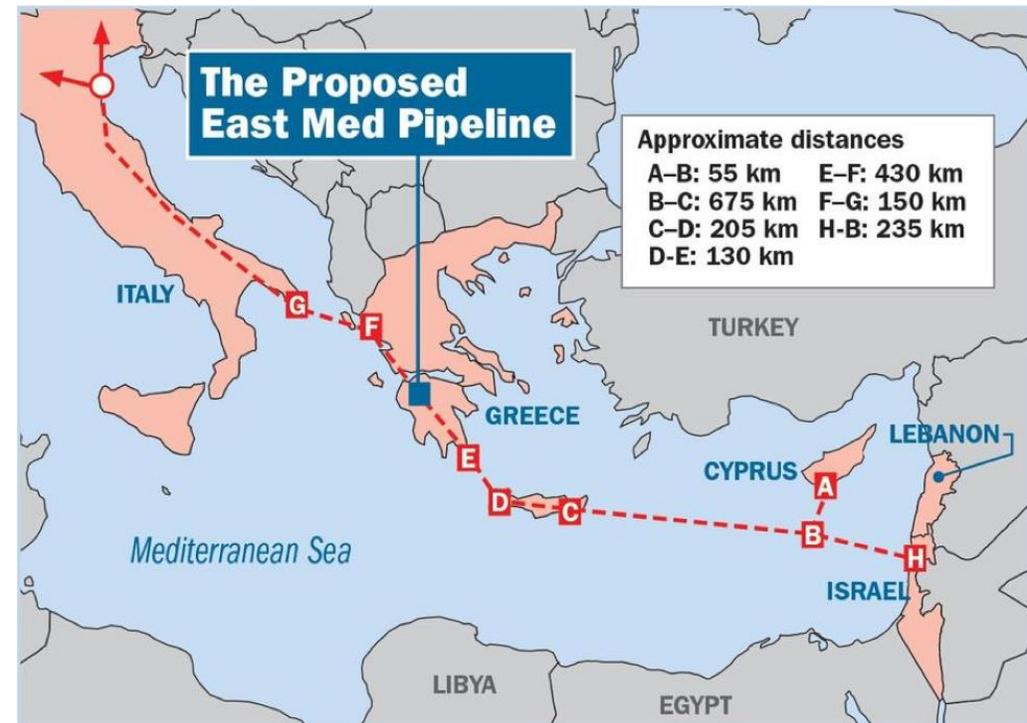
Eastern Mediterranean Gas: Pipeline Politics and Energy Transition

The EMGF is seeking to unlock the potential for development in the face of two key challenges: profitability and political disputes. The proven reserves are mostly located in deep waters and are complex and expensive to develop. Disputes over borders for EEZs also complicate not only exploration risks but disputed ownership rights, a significant obstacle to commercial development. The EMGF has sought to address the profitability challenge by leveraging public-private partnerships and coordinating regionally to bring down upstream costs and develop integrated markets. Regional politics are daunting, with disputed EEZ borders between Israel and Lebanon, Greece and Cyprus, and Turkey and Cyprus, all further complicated by Turkey's recent agreement with Libya, which essentially seeks to place the entire Eastern Med within Turkey's EEZ. Notably, Turkey and Lebanon are not members of the EMGF.

EastMed Sub-Sea Pipeline

Israel, Greece and Cyprus have led an effort to push through the commercial and political obstacles to bringing Eastern Med gas to Europe as a means to finance further development of their gas resources. Early on during the concept stage of the EastMed pipeline, which is meant to transfer natural gas from Israeli waters to

Europe via Greece and Cyprus, the European Union provided support, contributing more than €34.5 million (US\$38.9 million) to complete technical, economic and environmental studies for the



Source: Tekmor Monitor

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Eastern Mediterranean Gas: Pipeline Politics and Energy Transition

project. In 2016, Israel, Greece and Cyprus announced plans to develop the EastMed pipeline, with set 2025 as a completion target, at the cost of €6 billion (US\$6.86 billion). In 2019, the pipeline received a boost of support from the European Union, when the European Commission labeled the pipeline as a Project of Common Interest, and from the US when the White House (under the Trump Administration) backed the concept as a way to aid diversification and create energy supply resiliency in Europe. Beyond the economic impact, analysts viewed the new Eastern Med partnership as beacon for the region to move beyond political disputes over borders towards needed reconciliation, cooperation and integration.

Up until January 2020, the project appeared to be on track for development, with support in Europe and a “historic agreement” signed by Israel, Greece and Cyprus to move the project forward, addressing the security of the pipeline and a common tax regime, among other issues. Despite these positive developments, the project remained unfunded and actively opposed by Turkey.

COVID-19 and Climate Change Disruption

During the last two years, the political and economic context of the world changed. The global pandemic brought world economies into

recession, and major development programs were put on hold. The climate change emergency moved to the center of international policy, upending energy sector priorities, with the demand for governments to speed transition from fossil fuels to renewable energy by reallocating development investments from the former to the later.

In January 2022, the US dealt a death blow to EastMed pipeline project by retracting support, citing the investment in a fossil fuel pipeline as inconsistent with the priority of shifting to green energy. As an alternative, the US supports the EuroAsia Interconnector linking Israeli, Cypriot and European electricity grids, allowing for future exports of electricity produced by renewable energy sources, benefiting nations in the region. The interconnector “would not only connect vital energy markets, but also help prepare the region for the clean energy transition,” according to the US Embassy in Jerusalem.

EuroAsia Interconnector is also a European Project of Common Interest and comprises a subsea DC cable and HVDC onshore converter stations at each connection point, with a total capacity of 2000MW. The project is an energy highway bridging Asia and Europe, with a total length of 1,208km. The project features the world's largest and deepest submarine power cable with plans for

Eastern Mediterranean Gas: Pipeline Politics and Energy Transition

completion by 2024. While construction has not yet begun, EuroAsia Interconnector received €100 million funding from EU Recovery and Resilience Plan and the €657 million under the EU Connecting Europe Facility. Stage 1 construction is expected to cost €2.5 billion.

From Big Dreams to New Realities

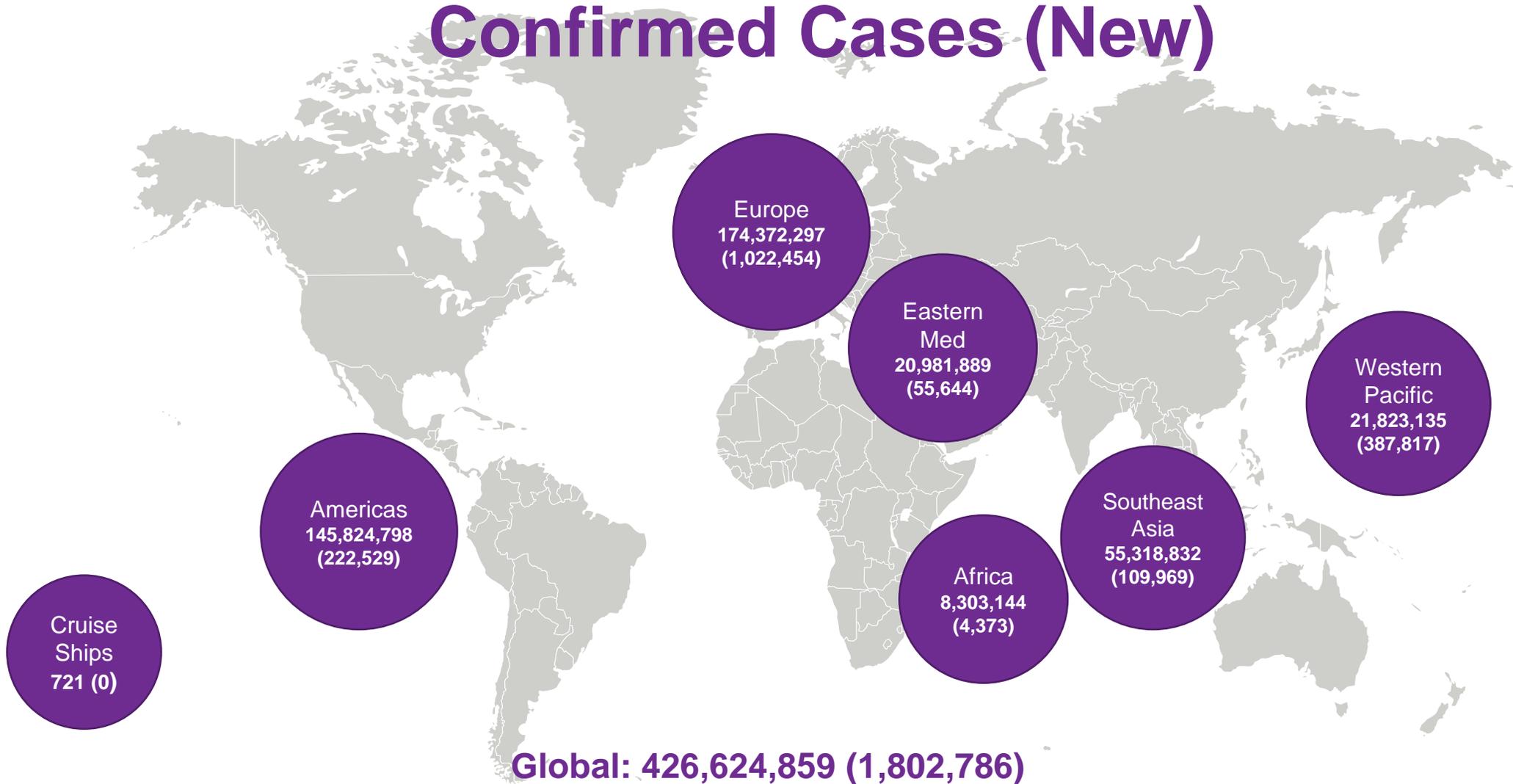
Gas producer states in the Eastern Mediterranean are already adjusting, dropping the big dreams of becoming a new Persian Gulf for gas supplies to Europe. Israel's Energy Minister Karin Elharrar announced that she was suspending new gas exploration for 2022 in order to concentrate her ministry's efforts on renewables. The trend away from major investments in fossil fuel exploration, extraction and transit is already underway. The EastMed pipeline is a sign of the times. The risk is that the global energy market will suffer from dislocations, with a green energy gap driving up energy prices. EY analysts estimate that an additional \$5.2 trillion in investment will be needed to avoid a green energy gap to meet IEA's scenarios for a global energy sector with net-zero emissions by 2050. Fossil fuels will remain in demand during the transition, as energy security requirements will bump up against long term interests of protecting the planet.

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Coronavirus Condition Updates

As of 5:42 pm CEST on February 23, 2022

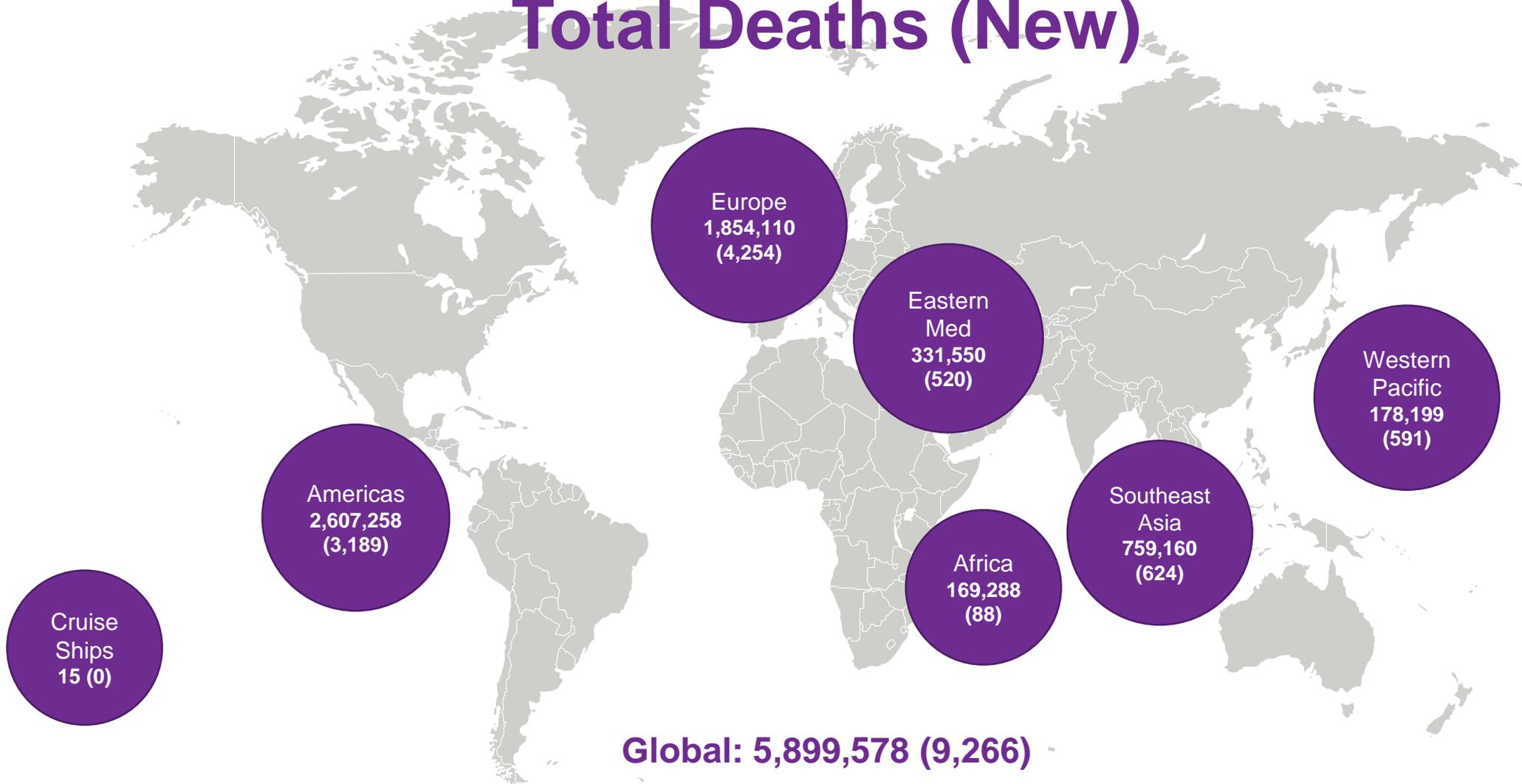
Confirmed Cases (New)



Reflects data as of 5:43 pm CEST on February 23, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:43 pm CEST on February 23, 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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