

Dentons Flashpoint

Global Situation Report

October 10, 2022

Global Situation Update: October 10, 2022

KEY TAKEAWAYS

Ukraine war escalates, with Russia bombing Ukrainian cities in “retaliation” for attack on Crimean bridge.

Israel begins operations at the offshore Karish gas field, without resolving maritime border dispute with Lebanon.

North Korean fires more ballistic missiles, designed to “simulate” nuclear attack on South Korea.

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

Labor in every region of the world is flexing its muscle to protest stagnant wages amid rising inflation. In South Africa, unions at state-owned ports and the national freight-rail company are on strike this week, which will curb shipments of coal and other minerals. In Argentina, striking tire workers at Bridgestone and Pirelli have affected the entire country's auto production.

In France, 60 percent of the country's oil refining capacity and more than a fifth of petrol stations have reported shortages owing to strike action by workers across the energy sector. Shortages are likely to continue as workers negotiate for pay increases as high as 10 percent amid record profits for energy companies. There are also local and national labor strikes in North America and Asia that will disrupt key services and the flow of goods this week.



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Global

The US continued to criticize OPEC+'s decision to cut oil production, with US Treasury Secretary Yellen calling it "*unhelpful and unwise*" for the global economy, especially emerging markets.

- In an escalation, Russia bombed cities across Ukraine during rush hour, in apparent retaliation for a weekend explosion which damaged part of the Crimean bridge. **Russia's air attacks on Ukraine** violated neighboring Moldova's airspace, the country's defense ministry said.
- Russian President Putin accused Ukraine of orchestrating the explosion on the **Crimean bridge**, the strategic transportation link for trains and trucks carrying troops and weapons from mainland Russia to Crimea, from where they are funneled into the grinding war against Ukraine.
- The **Crimean bridge** blast could have "*significant*" impact on Russian forces in Ukraine's south, Britain's Defense Ministry assessed.
- IAEA director Grossi will visit Moscow this week, after having met with **Ukrainian** President Zelensky on Thursday, seeking to negotiate a buffer zone at the Zaporizhzhia facility in southeast Ukraine, which Russian forces control. Over the weekend, shelling temporarily cut power to the **nuclear plant**, which needs cooling to avoid a meltdown.

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Markets & Business

With the biggest US banks reporting third-quarter earnings reports starting next week, analysts expecting they will set aside more than \$4 billion to cover potential losses from bad loans, preparing for the possibility that rising interest rates will slow the economy and result in higher credit losses.

- Russian President Putin signed a decree on Friday that seized control of the **Sakhalin-1 oil and gas project** in Russia's Far East by appointing a new operating company. Exxon holds a 30 percent operator stake in Sakhalin-1, with Russian company Rosneft, India's ONGC Videsh and Japan's SODECO as partners.
- **Energean** begun pumping gas to its floating production facility in the **offshore Karish gas field**, located in a disputed zone between Israel and Lebanon, as part of reverse flow testing procedures approved by the Israeli government.
- A second Australian company owned by **Singtel** has suffered a **data breach** as Dialog Group, a technology services business serving some of the country's largest companies. It said the details of 20 corporate customers and about 1,000 employees had been compromised.
- Facebook parent **Meta** is warning 1 million users that their login information may have been compromised through **malicious apps** after Meta's researchers found more than 400 malicious Android and Apple iOS apps this year that were designed to steal the personal Facebook login information of its users.

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Environment, Sustainability & Governance

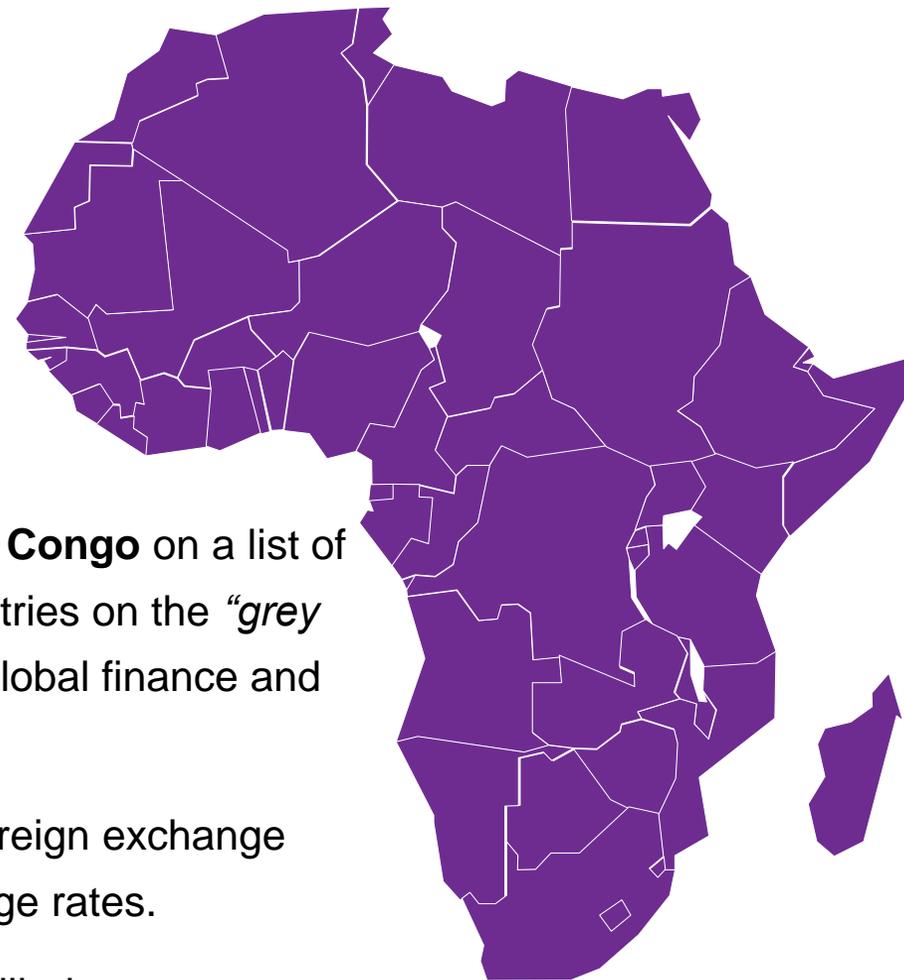
BlackRock has lost more than \$1 billion in asset management business in US Republican-led states upset with the company's green investing policies. The company manages five of the top 20 US sustainable funds by assets, more than any other investment manager.

- Australian software mogul Mike Cannon-Brookes was named chairman of clean energy start-up Sun Cable, which is seeking to secure funds for a proposed A\$30 billion-plus (\$19.3 billion-plus) **solar power export project**. Sun Cable plans to supply solar power from Australia to Singapore and eventually Indonesia through the world's longest subsea high voltage cable.
- **Strikes** staged by France's hard-left CGT union at refineries of ExxonMobil and TotalEnergies continued over the weekend, with more than a fifth of France's service stations grappling with supply problems and long lines of cars waiting to fill up.
- A United Nations International Civil Aviation Organization's assembly agreed to a long-term aspirational goal for **net-zero aviation emissions** by 2050, despite challenges from China and Russia, amid pressure to curb air pollution.
- Anti-nuclear Austria filed a legal challenge to the EU's inclusion of natural gas and nuclear energy in a list of "green" investments. Greenpeace and other environmental groups have already filed their own legal challenges to the inclusion of nuclear energy and natural gas to the **EU taxonomy for sustainable investing**.

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Africa

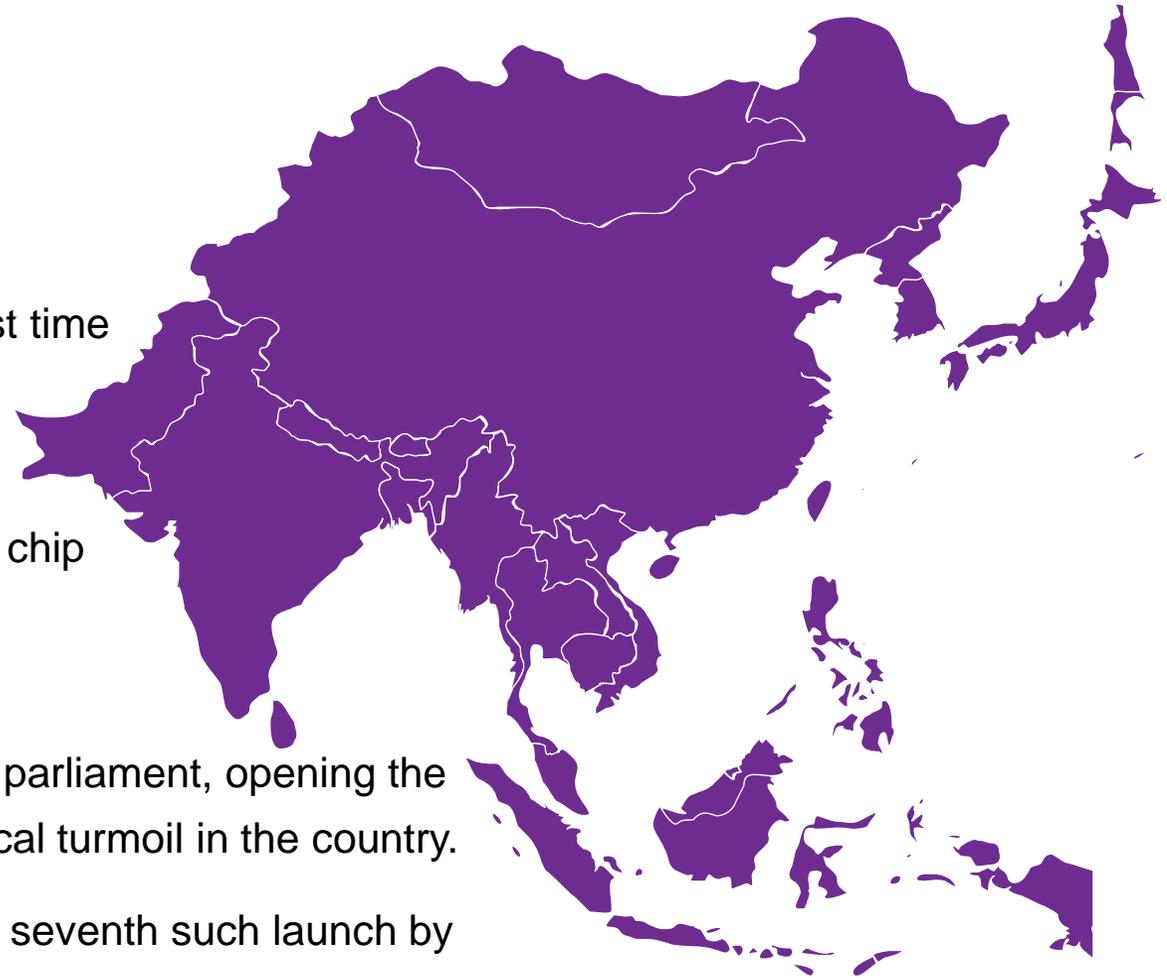
- **Zimbabwe** is demanding that global miners operating in the country pay some of their royalties in refined metal rather than cash, as the country struggles to benefit from demand for its resources.
- The Financial Action Task Force plans to put Democratic **Republic of Congo** on a list of countries subject to increased monitoring for money laundering. Countries on the “*grey list*” risk reputational damage, ratings adjustments, trouble obtaining global finance and higher transaction costs.
- **Burundi's** central bank lifted a ban it imposed in February 2020 on foreign exchange bureaus with the aim of weeding out operators flouting official exchange rates.
- Clashes between the **Djibouti** army and an armed opposition group killed seven, sparked by protests against the government of President Ismail Omar Guelleh, whose party has a tight hold on power. Djibouti is home to one of East Africa's major ports as well as US and Chinese military bases.



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Asia

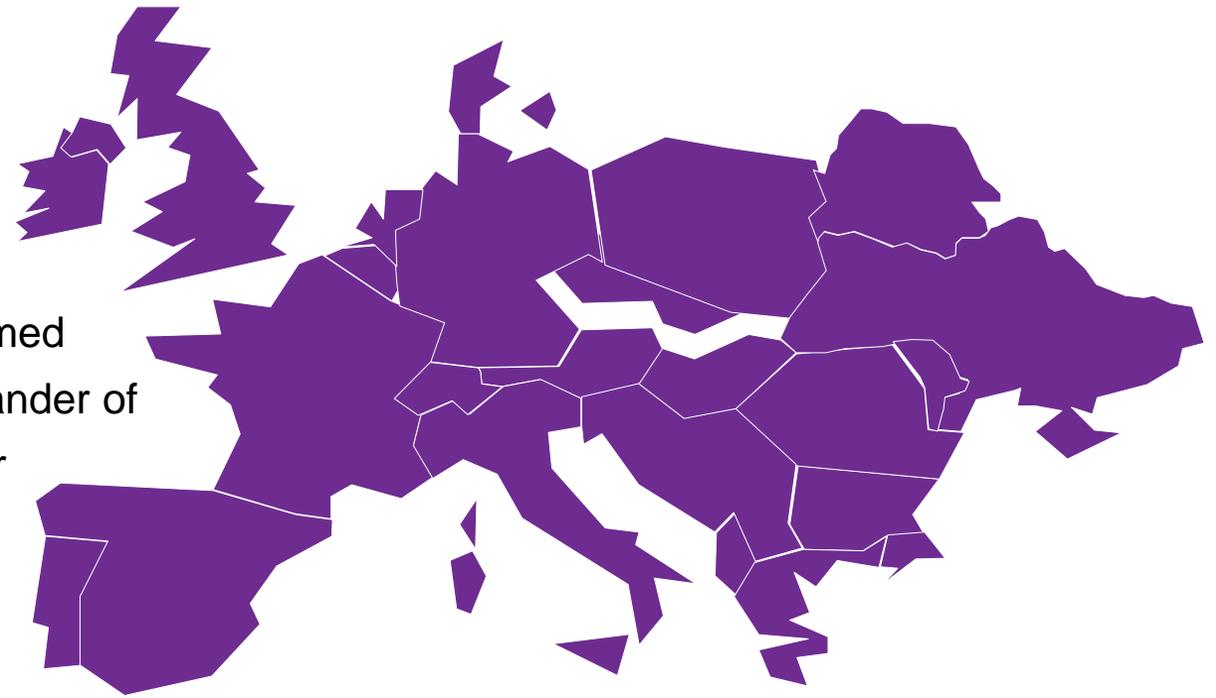
- **China's** services activity in September contracted for the first time in four months, as COVID-19 restrictions put downward pressure already fragile demand and business confidence.
- Beijing called the new **US** export controls targeting **Chinese** chip manufacturers an abuse of trade measures and designed to maintain the America's "*technological hegemony*."
- **Malaysia's** prime minister has announced the dissolution of parliament, opening the door to a general election this year in the latest bout of political turmoil in the country.
- **North Korea** fired two ballistic missiles early on Sunday, the seventh such launch by Pyongyang in recent days, escalating tensions in the region. North Korean state media said that missile tests were designed to simulate showering the South with tactical nuclear weapons as a warning. **Japan** and the **US** are conducting a joint military drill involving US aircraft carrier Ronald Reagan in areas around Japan in a show of deterrence against North Korea's aggressive actions.



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Europe

- Amid battlefield reverses, **Russia's** Defense Ministry named Air Force General Sergei Surovikin as the overall commander of Russian forces fighting in **Ukraine**, Moscow's third senior military appointment in the space of a week.
- The IMF approved \$1.3 billion in additional emergency funding for **Ukraine**; Ukraine's real GDP is projected to contract by 35 percent in 2022 compared with the previous year.
- **Austrian** President Alexander Van der Bellen secured a second six-year term in office on Sunday by winning a clear majority of votes, avoiding a runoff.
- **Britain's** top court on Tuesday begins hearing arguments for allowing a Scottish secession vote without approval from the British government. In a 2014 plebiscite, which the British government approved, Scots rejected independence by 55 percent-45 percent. However, the Scottish National Party argues the vote for Britain to leave the EU two years later was a game changer.



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How do You Manage Incident Response?

2022 has already seen business disrupted by extreme weather, ransomware attack, the ongoing pandemic and more. The common refrain “It’s not if, but when” rings truer than ever for disruptive incidents that will impact business as usual.

Working with Dentons, you can effectively develop an organizational incident-behavior adopted by all your team members. Dentons will help you build muscle memory through tabletop exercises, which are crafted to fit the business strategy of every client.

Our team plays events and incidents of different severities and complexities and accounts for real-world factors such as inconclusive evidence, mistakes by responders, and the business impact of eradication steps. Our tech-savvy lawyers continuously revise the playbooks per the evolving sector-specific threat landscape.

Dentons tabletop sessions are fluid, and designed to enhance preparedness with services, including:

- ❖ Ransomware tabletop exercises
- ❖ Post-tabletop action reports
- ❖ Maturity assessments for preparedness
- ❖ Supply-chain attack simulation
- ❖ Comprehensive incident response plan
- ❖ Threat analysis and monitoring

All interaction with Dentons is attorney-client privileged

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

Middle East



- Protests ignited by the death of a young woman in police custody continued across **Iran** over the weekend, despite a fierce crackdown by the authorities; at least 185 people, including children, had been killed in the unrest. **France** urged its nationals on Friday to leave Iran as soon as possible.
- Tensions between **Israelis and Palestinians** continue to escalate. Over the weekend, Israeli forces killed two Palestinian teens in clashes in the West Bank city of Jenin, and a Palestinian gunman fatally shot an Israeli soldier in Jerusalem.
- Unidentified forces fired a rocket at a compound in **Syria** hosting **US** troops and partnered local forces but failed to cause any injuries or damage. The attack came just two days after a US raid on a government-held village in Syria's northeast that killed an Islamic State leader.

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Americas

- UN Secretary-General Guterres proposed that one or several countries send "a *rapid action force*" to help **Haiti's** police remove a threat posed by armed gangs.
- **Venezuela's** President Maduro said he is not ruling out bringing forward the country's 2024 presidential election. The election is currently scheduled to take place in two years. The opposition and international community contested the results of the 2018 election.
- On Sunday, Hurricane Julia made landfall along the coast near Laguna De Perlas in **Nicaragua**, with maximum sustained winds of 85 miles per hour (140 km/h), causing life-threatening flooding and mud and rockslides.
- **Canada** has banned the top leadership of **Iran's** Islamic Revolutionary Guard Corps (IRGC) from entering the country and promised more targeted sanctions over the treatment of women in Iran and the downing of a civilian airliner in 2020.



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Americas: US

- The CDC estimated that by October 8 nearly 14 percent of the circulating coronavirus variants in the US were of the BA.4.6 subvariant of Omicron. The BA.4.6 subvariant has been found to be better at evading **COVID-19** antibody therapies.
- **Election** officials across the US are fortifying their operations as they ramp up for another divisive election, from installing panic buttons to hiring extra security guards to holding active-shooter and de-escalation training.
- More small businesses and big US companies including banks and pharmacy chains say they have recognized that so-called **second-chance hiring** of people who have served prison time, offers a chance to ease societal inequities and find more workers in a tight job market.
- The Defense Department added more **Chinese** companies, including drone maker DJI Technology and surveillance equipment maker Zhejiang Dahua Technology to a blacklist that subjects them to an investment ban for Americans. The US also added China's top memory chipmaker YMTC and 30 other Chinese entities to a list of companies to the “unverified” trade list, i.e., companies that US officials have been unable to inspect, adding to trade tensions.



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The Future of Energy: Hydrogen Emerges as a Promising Clean Energy Fuel

By Matthew Gardell

In the hunt for clean energy sources, hydrogen is emerging as a zero-carbon or low-carbon alternative fuel. Businesses and governments hope that hydrogen can power vehicles, generate electricity and heat homes. For businesses, one of key risks is the high cost of producing hydrogen derived from clean energy sources, while some environmental groups argue that hydrogen's climate benefits are limited.

What is Hydrogen and the Hydrogen Color Spectrum?

Hydrogen is the world's most abundant chemical element, with atoms found in water, plants, animals and humans. Hydrogen is naturally occurring, but in order to use hydrogen as a fuel or energy source, it needs to be produced from energy sources. As a secondary carrier of energy, hydrogen gas is therefore generated from a variety of sources including water, fossil fuels, or biomass. Currently, most hydrogen is produced through fossil fuels (mostly natural gas), but the expectation is that renewable sources of energy such as solar will be used to directly produce hydrogen. Hydrogen also has the highest energy content of any common fuel by weight which creates both reward and risk; hydrogen could be

an effective power source, but this also creates the challenge of transporting and storing hydrogen quantities.

There are nine different color codes to identify hydrogen which refer to the source or the process used to make hydrogen. Some sources of hydrogen are fossil fuels, for example, black hydrogen is produced from coal, while others are from renewable energy sources like green hydrogen. Much of the public debate has been focused on the merits of blue hydrogen versus green hydrogen. Blue hydrogen is produced through natural gas and supported by carbon capture and storage while green hydrogen comes from strictly renewable sources like wind, water or solar. Renewable energy proponents are aiming for green hydrogen to become a

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more prominent part of the energy mix, but the problem is that it is not cost-competitive, so businesses are reluctant to invest. Blue hydrogen, which is currently more commercially viable and scalable, could be a starting point for a transition to green hydrogen as both the technology and business case advance.

Nonetheless, governments are bullish on the prospects of green hydrogen as a potent energy source. The European Parliament recently removed restrictions on green hydrogen development from its Renewable Energy Directive. The European Commission had earlier approved a record €5.4 billion in hydrogen subsidies over the summer. The European Union (EU) sees green hydrogen as key part of the green energy transition and given that the EU is seen as forward-thinking and a leader in environmental policymaking, this could spur development worldwide.

Potential Uses and Opportunities

With an energy crunch worldwide and Europe facing a particular challenge as the Ukraine war becomes a protracted conflict, policymakers and businesses are interested in what exactly hydrogen can power. In the United States, the vast majority of the

hydrogen consumed is used by industry for refining petroleum, treating metals, producing fertilizer, and processing foods. However, hydrogen, particularly green hydrogen, has many potential uses that can touch the lives of the average person. Hydrogen can be stored in existing gas pipelines and be used to power household appliances. Crucially, hydrogen can also be used with fuel cells to power anything that uses electricity, from electric vehicles to ubiquitous electronic devices.

The possibility that hydrogen, in combination with fuel cells, can power cars is an exciting prospect for renewable energy proponents given how much vehicles contribute to greenhouse gas emissions. Governments are working to incentivize production of hydrogen-powered cars, for example, China has an ambitious hydrogen energy strategy that includes calling for a million hydrogen-powered vehicles on the roads by 2035.

It is not just cars that are being explored, but also other modes of transportation such as trains and airplanes. In August, Germany unveiled the world's first hydrogen-powered trains and Airbus plans on testing hydrogen-powered plans in 2026. Hydrogen has the ability

The Future of Energy: Hydrogen Emerges as a Promising Clean Energy Fuel

revolutionize the transportation industry, and as the technology develops, pivot the sector away from its reliance on fossil fuels.

Risks for Businesses and Pushback from Environmental Groups

One of the main stumbling blocks to the widespread adoption of hydrogen, and renewable energy in general, is the high cost. Businesses are not going to invest in hydrogen energy projects, particularly the less cost competitive green hydrogen, if there is a lackluster business case. According to the International Renewable Energy Agency, green hydrogen is 2-3 times more expensive than blue hydrogen, and both are more expensive than grey hydrogen, which is also produced from natural gas but does not capture the carbon. Across the hydrogen value chain, there are risks for businesses ranging from safety concerns to logistical problems. Hydrogen is highly flammable, and its flame is almost invisible in daylight making it hard to identify any safety lapses. In addition to flammability concerns, there are the risks of transmission line breakdowns and storage contamination.

Leading environmental groups, such as Sierra Club, have said they support the use of green hydrogen but are more reticent on support for hydrogen power overall compared to alternatives such as solar or wind. The reality is that most hydrogen is currently produced from fossil fuels and the oil and gas industry is focusing on developing blue hydrogen, that although carbon is stored or captured, is produced from natural gas. Last year, leading environmental groups wrote a letter to the US Congress arguing that the oil and gas industry is using hydrogen to “greenwash fossil fuels” and called carbon capture a “shortsighted industry scam.” Some environmental interest groups are also concerned that the building out of new hydrogen infrastructure is disproportionately for fossil fuel-based hydrogen.

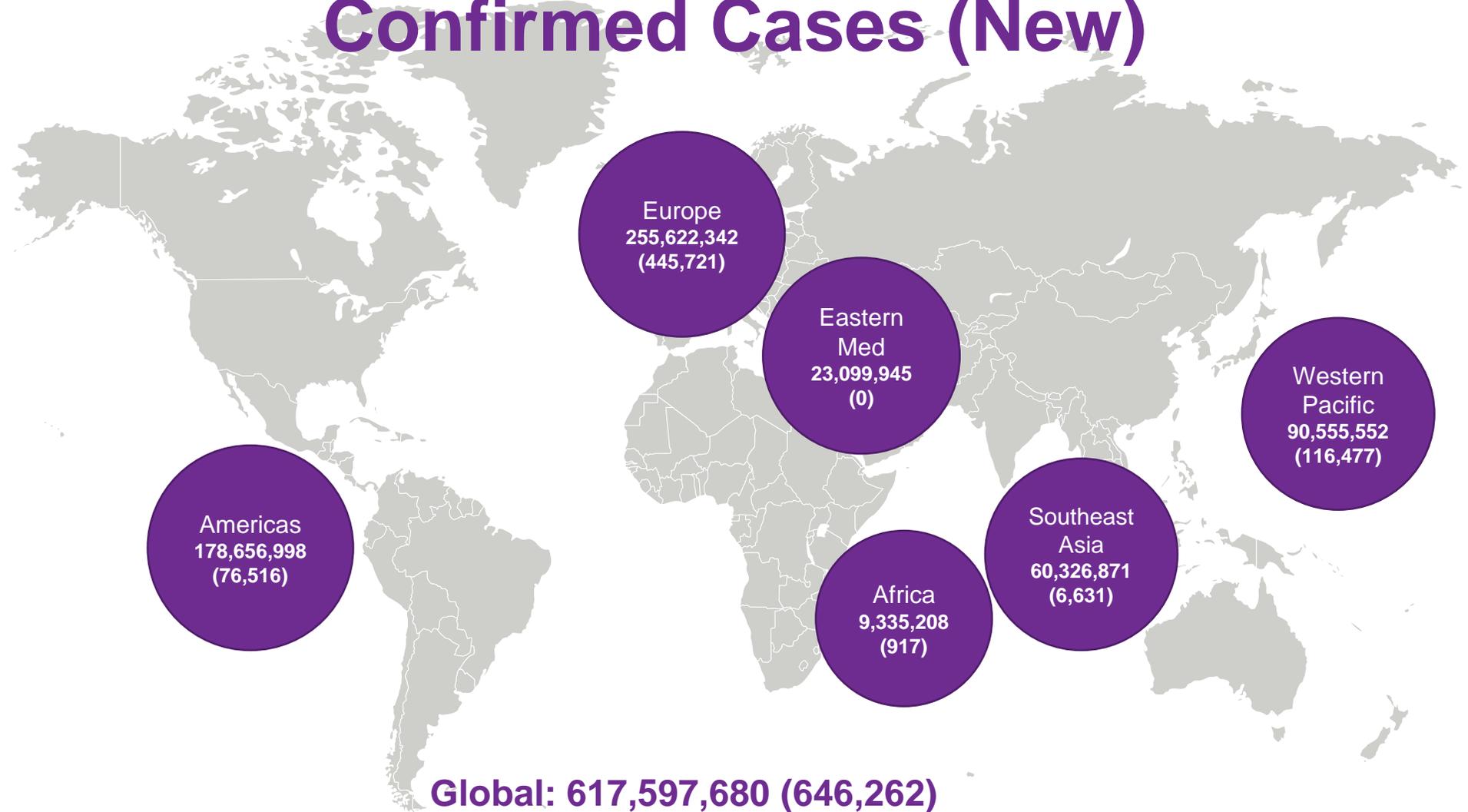
Nonetheless, as the world moves towards a renewable energy future out of environmental and increasingly geopolitical concerns, hydrogen will be a part of the mix.

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Coronavirus Condition Updates

As of 6:28 pm CEST on October 7, 2022

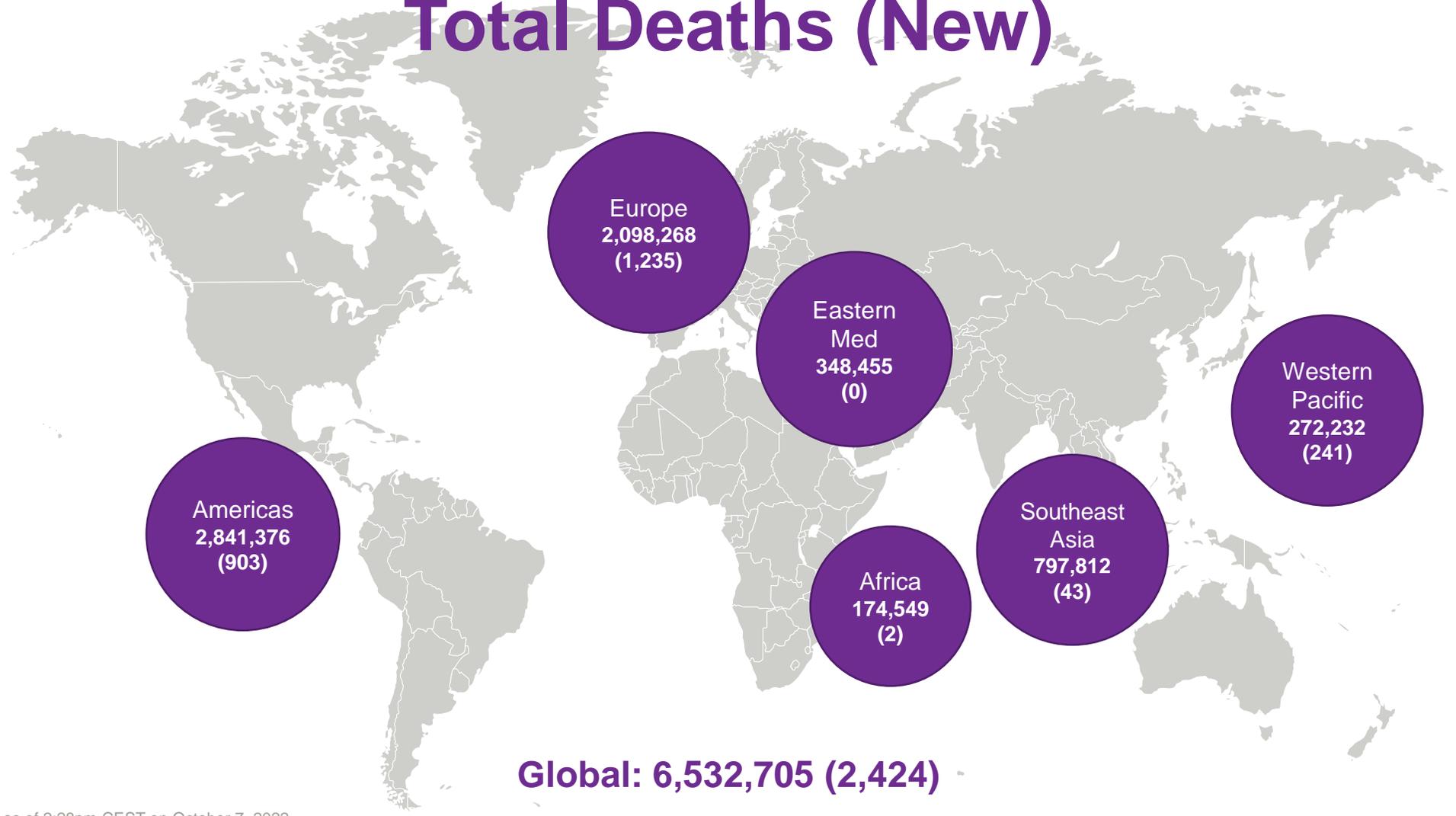
Confirmed Cases (New)



Reflects data as of 2:28pm CEST on October 7, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 2:28pm CEST on October 7, 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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