

Dentons Flashpoint

Daily Global Situation Report

February 2, 2022

Global Situation Update: February 2, 2022

KEY TAKEAWAYS

The US, Britain and France call for closed door UN Security Council meeting on North Korea's launch of an intermediate-range ballistic missile.

The US national debt exceeded \$30 trillion for the first time.

As the torch relay for the Beijing 2022 Winter Olympics kicks off, more elite athletes withdraw from the games due to COVID-19 infections.

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WHAT WE'RE WATCHING

Today, the US House Committee on Transportation and Infrastructure is holding a hearing on the future of autonomous vehicles (AVs). It will feature experts, industry representatives, and labor leaders. Members of Congress are expected to discuss the need for better regulatory frameworks before a full nationwide roll-out is feasible. Although the push for AVs remains strong, there is also considerable pushback.

Labor unions argue that self-driving vehicles place millions of American jobs at risk, while environmental groups believe that the widespread use of AVs in the US could have a substantial impact on greenhouse gas emissions from the transportation sector. Without consensus, significant investments in the emerging industry remain at risk.



HEARING ALERT

"The Road Ahead for Automated Vehicles"

The House Committee on Transportation & Infrastructure

SUBCOMMITTEE: HIGHWAYS AND TRANSIT

February 2, 2022, 11 a.m. EST

View the livestream at transportation.house.gov.

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

Global

Globally, confirmed coronavirus cases topped 376/4 million with 5.6 million deaths; more than 9.9 billion vaccine doses have been administered.

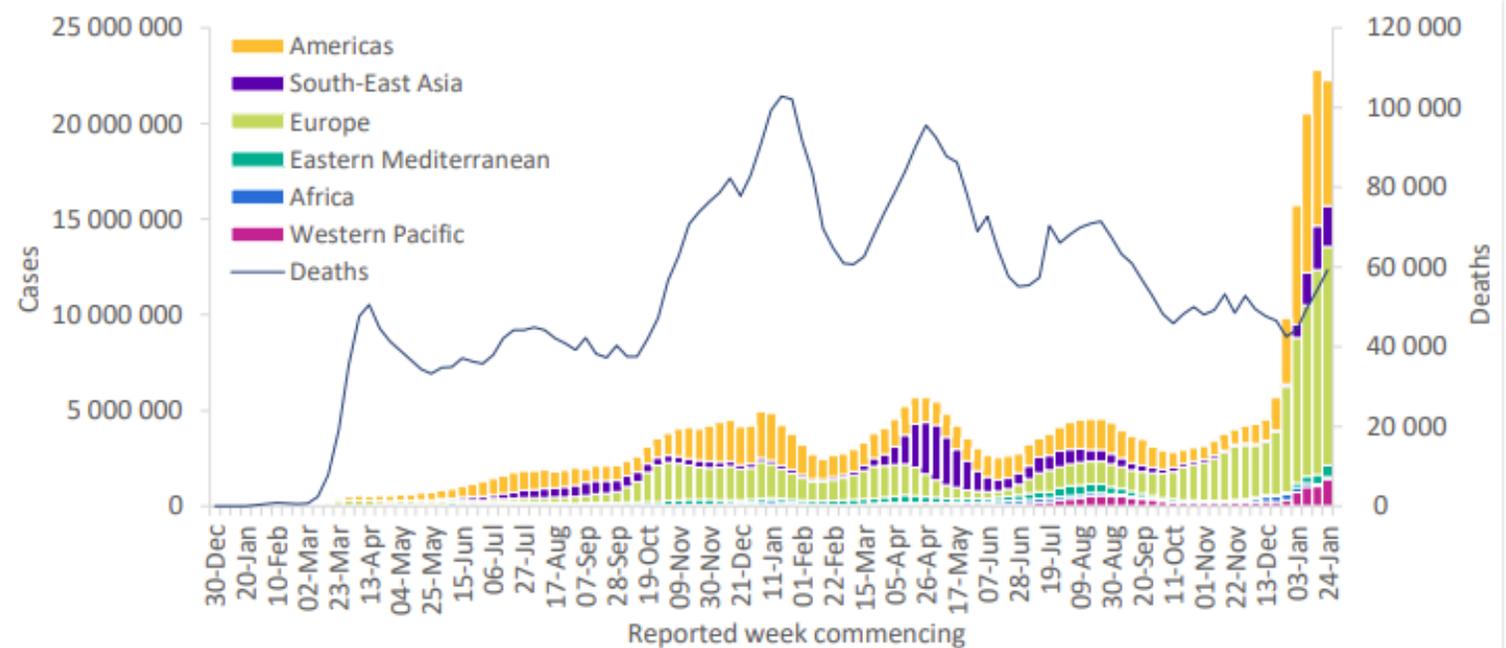
- **Russian** President Putin again accused the US and NATO of ignoring Russia's security demands, citing obligations on the integrity of security made at the Organization for Security and Cooperation in Europe, and said the US was trying to drag Russia into war.
- The torch relay for the **Beijing 2022 Winter Olympics** kicks off, running through the three host venues, in scaled back plans to comply with the Games' tough COVID-19 restrictions. More elite athletes withdraw from the games due to COVID-19.
- The emerging **BA.2 form of the Omicron coronavirus** variant does not seem to be any more severe than the original BA.1 form, per the WHO. Vaccines also continue to provide similar protection against the different forms of Omicron.
- Results from the world's first study in which volunteers were deliberately infected with COVID-19 found the participants to be highly **infectious for a maximum of 12 days**, supporting guidance for quarantine periods in many countries and importance of wearing face masks.
- In South Africa, scientists are investigating links between coronavirus variants and untreated HIV amid what mounting evidence that people with weakened immune systems can suffer from **persistent COVID infections, allowing mutations to accumulate.**

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Global

The WHO said that 90 million cases of coronavirus have been reported since the Omicron variant was first identified 10 weeks ago – amounting to more than in all of 2020, the first year of the COVID-19 pandemic.

Figure 1. COVID-19 cases reported weekly by WHO Region, and global deaths, as of 30 January 2022**



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Markets & Business

Microsoft Corp.'s proposed acquisition of Activision Blizzard Inc. will be reviewed by the US Federal Trade Commission, putting in question the fate of the roughly \$75 billion deal.

- The Australian government agreed to a A\$140 million (US\$100 million) project financing loan to **Hastings Technology Metals** for a rare earths mine in Western as the country ramps up production to challenge Chinese dominance of supply of the critical minerals.
- **Amazon.com Inc.** workers at a company warehouse in Alabama are set to begin voting for the second time in a year on whether to unionize after the National Labor Relations Board found that Amazon violated labor law during last years' vote and ordered a new election.
- American technology providers are under intense pressure in Europe after an Austrian privacy regulator found **Google Analytics'** services illegal. The decision is expected to lead to similar restrictions for other US tech providers.

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Environment, Sustainability & Governance

Anglo-Australian miner Rio Tinto's admissions of sexual assault, racism and bullying in an internal report have sparked calls from investors for the entire industry to address corporate behavior and culture.

- The European Commission is set to propose updated draft **guidance on ESG investments** addressing controversial inclusion of nuclear and natural gas investments; the new rules make it slightly easier for gas investments to qualify.
- Germany restarted its scheme granting **subsidies for energy-saving buildings** and added \$5 billion to the fund after pausing the program to handle a flood of applications.
- Beauty company Coty, whose portfolio includes companies such as Burberry, Calvin Klein, and Gucci, announced that it has started production of the first globally **distributed perfumes using carbon capture ethanol**.
- T-Mobile announced that it has reached **100% renewable energy sourcing** for its total electricity usage.

Africa

- The **US** said that it is prepared to impose “*additional costs*” on the **Sudanese** military junta if violence against protesters continues.
- An attempted military coup appeared to be contained in **Guinea Bissau**; armed soldiers took to the streets and opened fire on government buildings, including surrounding the presidential residence, but President Embalo took to Twitter several hours later to say the situation had resolved.
- The African Union formally suspended **Burkina Faso** following the recent coup.
- At least 60 people were killed in a militia attack on Wednesday morning at the Savo displaced persons camp in eastern **Democratic Republic of Congo's** Ituri province.



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How do You Manage Political Risk?

Today, the economic and political changes affecting international business are more complex than ever. Conflicts, coups and the coronavirus pandemic continue to impact governments and people worldwide and shape the business landscape in 2021.

Dentons offers business leaders routine and one-off political risk assessments on specific interests. Many clients also retain our team of attorneys and former intelligence and military professionals, equipped with the latest big data analytics tools, deep substantive knowledge and extensive networks of contacts, to provide services, including:

- ❖ Political and country risk forecasts and analysis
- ❖ Market-entry assessments
- ❖ Legislative and government action forecast
- ❖ Comprehensive project analysis
- ❖ Coronavirus vaccine tracker and return-to-work monitoring
- ❖ Investment risk analysis

All interaction with Dentons is attorney-client privileged

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

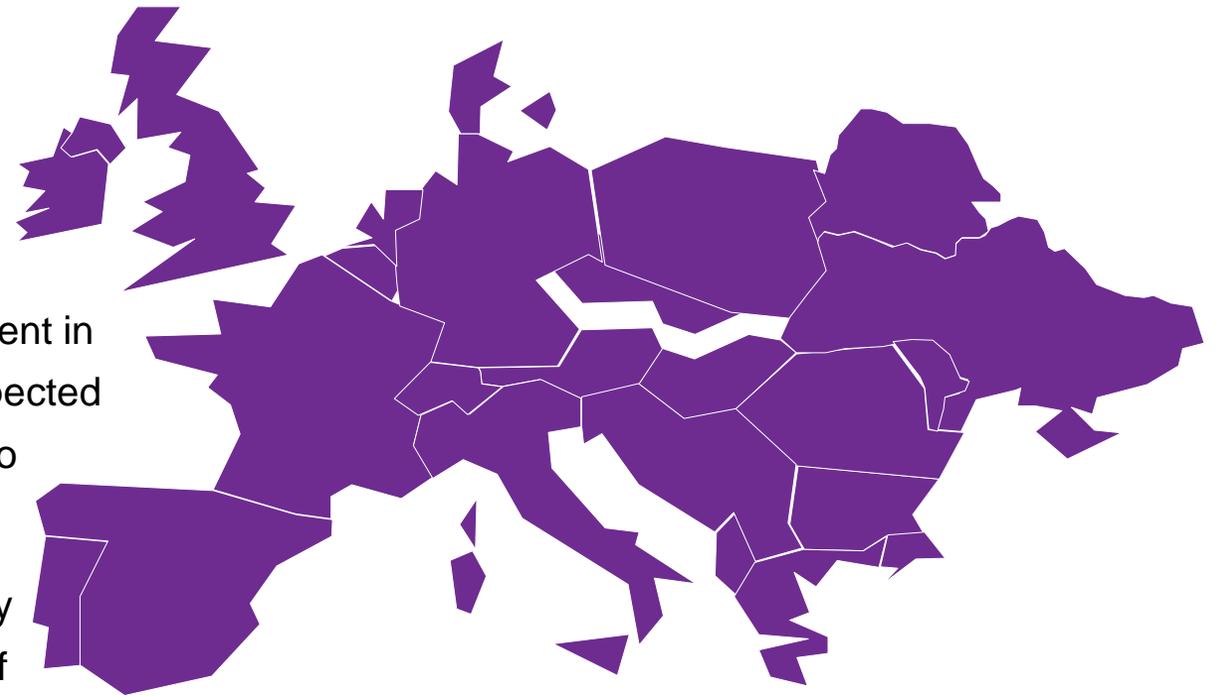
Asia

- The **US, Britain and France** have asked the UN Security Council to meet behind closed-doors on tomorrow over **North Korea's** launch of an intermediate-range ballistic missile.
- Tokyo's new COVID-19 cases exceeded 20,000 for the first time on Wednesday, with no signs that **Japan** is peaking. **South Korea** also reported new record highs in daily infections. **Thailand** has restarted its quarantine-free entry program for vaccinated travelers after a five-week suspension.
- **Indian** officials are pressing Google, Twitter and Facebook for not proactively removing what they described as fake news on their platforms. The government is seeking to avoid taking direct action by ordering content takedowns, which draws international criticism that authorities are suppressing free expression.
- **China** condemned a motion on Uighur human rights adopted by **Japan's** Parliament, increasing tensions between the neighbors just days before Beijing hosts the Winter Olympics. The Chinese Foreign Ministry called the resolution "extremely vile in nature, as it disregards facts and truth."



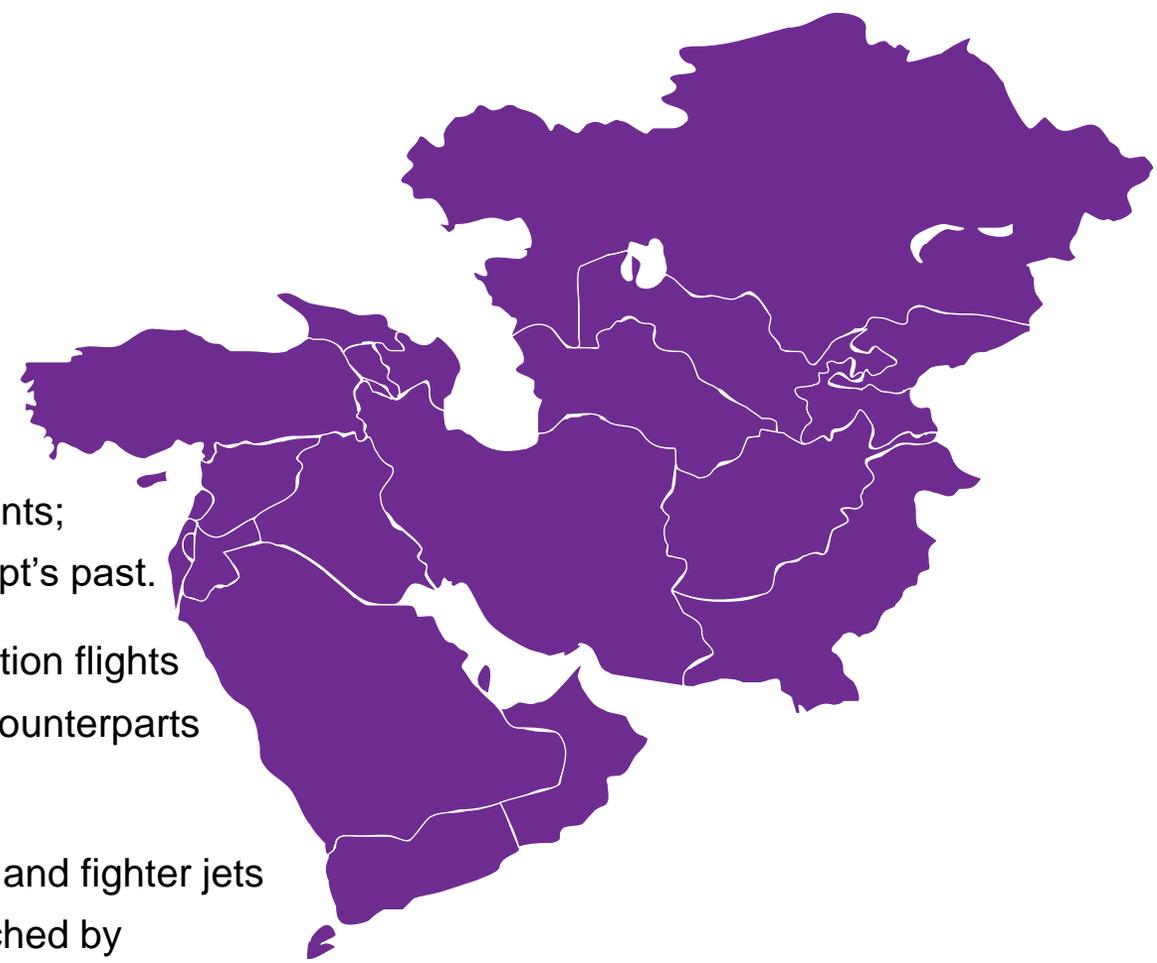
Europe

- Consumer prices in the **euro zone** rose by a record 5.1 percent in January from a year earlier, keeping inflation higher than expected and increasing the pressure on the European Central Bank to respond with tighter monetary policy.
- **UK** prime minister Johnson's appearance in parliament today is expected to be heated as he responds to the publication of a report that found "*failures of leadership*" over COVID lockdown parties in Downing Street and calls for his resignation.
- Most of **France's** remaining COVID-19 restrictions are expected to be lifted today.
- **Europeans** bought as many hybrid cars as they did diesel in Europe in 2021 for the first time as the EU presses forward with its intention to ban the sale of petrol and diesel vehicles by 2035.
- **Montenegro** was braced for more political chaos ahead of a critical vote in parliament on Friday that will either oust the country's prime minister or pave the way for new elections.



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Middle East

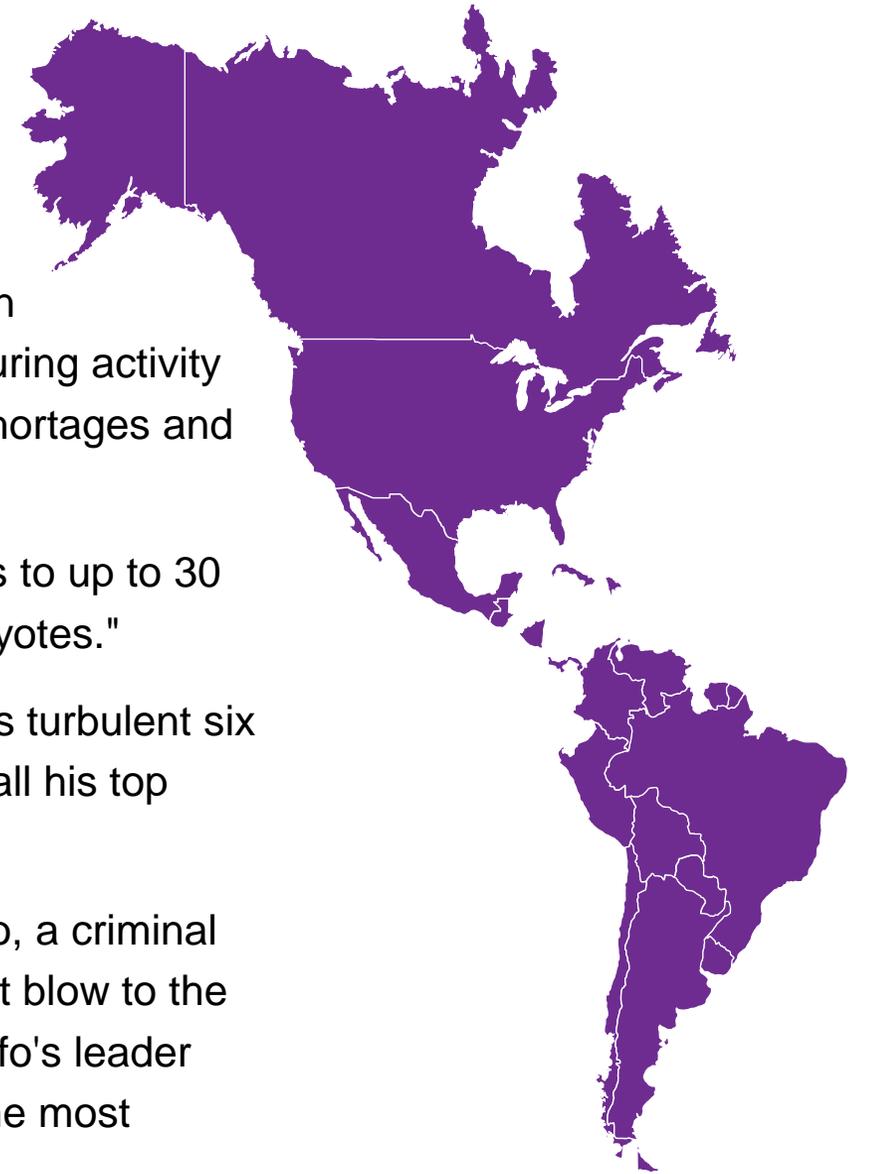


- Thousands of **Iranian** teachers are striking in protest over the slow implementation of salary and pension reforms.
- **Egypt** is considering replacing a bread subsidy with direct payments; disruptions to bread prices have infamously caused unrest in Egypt's past.
- **Qatar** reached a deal with the Taliban to restart chartered evacuation flights out of Kabul. Female students were permitted to join their male counterparts heading back to reopened university campuses in **Afghanistan**.
- The **US** sending send the guided missile destroyer the USS Cole and fighter jets to assist the **UAE** following missile attacks on the Gulf state launched by **Yemen's** Houthi movement, including a foiled attack aimed at a base hosting US force.
- A **Lebanese** judge issued a subpoena for central bank governor Riad Salameh after he failed to appear in interrogation sessions in her probe of the 2019 financial collapse; Salameh has criticized the probe as politically motivated but has failed in efforts to have the judge removed. Beirut reportedly instructed embassies to seek donations from the Lebanese diaspora to keep operations running.

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Americas

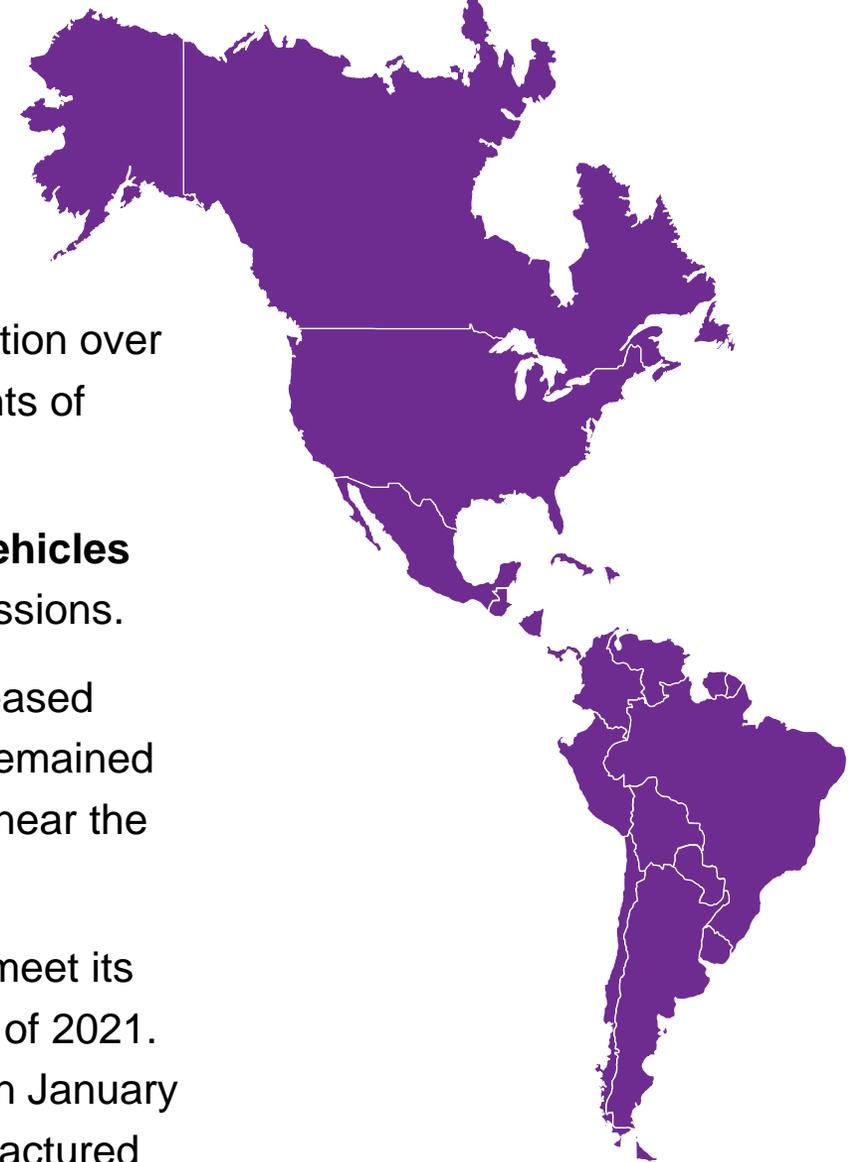
- **Canada's** Quebec province announced that it will scrap a proposed tax on unvaccinated people, saying the idea is too divisive. Canadian manufacturing activity expanded at the joint-slowest pace in 11 months in January as material shortages and disruptions from the Omicron coronavirus variant held back output.
- **Guatemala's** Congress toughened prison sentences for human traffickers to up to 30 years as the government aims to crack down on smugglers known as "coyotes."
- **Peru's** leftwing president Pedro Castillo announced the third cabinet of his turbulent six months in office on Tuesday, naming a new prime minister and replacing all his top ministers.
- **Colombia's** armed forces killed at least 15 members of the Clan del Golfo, a criminal organization connected to drug trafficking and illegal mining, in the biggest blow to the group since October last year, when security forces arrested Clan del Golfo's leader Dairo Antonio Usuga, better known as Otoniel, who is accused of being the most important drug trafficker in Colombia's recent history.



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Americas: US

- A civil liberties group is suing Virginia Governor Youngkin and his administration over his order making **masks** optional in public schools, saying it violates the rights of students vulnerable to complications from COVID-19.
- US President Biden issued an executive order aimed at making half of **all vehicles sold in 2030 electric**, a significant step toward cutting greenhouse gas emissions.
- The US **national debt** exceeded \$30 trillion for the first time, reflecting increased federal borrowing during the coronavirus pandemic. The US **labor market** remained tight at the end of last year with job openings and worker turnover hovering near the highest levels on record.
- Deputy US Trade Representative Bianchi reported that **China** has failed to meet its commitments under a two-year "Phase 1" trade deal that expired at the end of 2021. China met only 60 percent of the targets outlined in the agreement, signed in January 2020, in which China pledged to increase purchases of US. farm and manufactured goods, energy and services by \$200 billion above 2017 levels during 2020 and 2021.



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The Nuclear Energy Debate: Opportunities and Risks

“As government and multinational energy companies aggressively move to reduce their environmental impact footprint, nuclear energy is getting a second look. The hotly-debated and often controversial use of nuclear energy is again at the center of the international energy policy debate.”

On March 11, 2011, a magnitude 9.0 earthquake and tsunami in Japan was the proximate cause of a nuclear accident at the Fukushima Daiichi Nuclear Power Plant. The global response to this nuclear disaster was swift. Japan shut down all its nuclear plants. German and Swiss parliaments quickly voted to phase out nuclear energy. Italians voted in a referendum to ban new nuclear power reactors. Fast forward just over a decade, and the decision calculus over nuclear power has rapidly changed. In recent months, the most heated site of this debate has taken place in Europe, where the EU was mulling whether to include nuclear energy as part of its green financing initiatives.

The EU bodies developing the taxonomy recently attempted to strike a middle ground with draft plans to label nuclear power plants as “transitional” green investments, meaning that new plants would be

considered sustainable investments through 2045 if nuclear power plants demonstrate that they can safely dispose of radioactive waste. Investors and member states are split on the EU proposal. For some investors, this broadens the range of sustainable assets. Others are not sold on nuclear power as a green investment. Some asset managers are concerned about how the decision will impact the required sustainability reporting. The split among investors could complicate efforts for Brussels to have buy-in for the plans. There could also be a divergence in the green credentials of asset funds. Meanwhile, France, Europe’s largest producer of nuclear power, lobbied hard for its inclusion, while Germany, concerned about nuclear proliferation and associated environmental risks, has led a bloc opposing it. The taxonomy has yet to be fully implemented, and a majority of EU states could still block the inclusion of nuclear and natural gas assets.

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The Nuclear Energy Debate: Opportunities and Risks

Nuclear Energy Opportunities

COP26 ended with reaffirming the commitment to limit global warming to 1.5 degrees Celsius. The delegates pledged to return in 2022 with stronger pledges to slash greenhouse gas emissions. Despite a nuclear debate that is very much in flux in Europe, nuclear energy is getting a second look by many policymakers. Nuclear power plants produce no greenhouse gas emissions during operation. Compared to other sources of alternative energy, nuclear energy produces the same amount of carbon dioxide equivalent emissions as wind and one-third the emissions of solar, as well as being a stable source of energy not dependent on fuel supply or weather and having a smaller physical footprint than solar panels and dams. Additionally, new technological developments such as Advanced Small Modular Reactors (SMRs), which have even smaller footprints than traditional nuclear plants, require reduced capital investment and have security/non-proliferation advantages. The US Energy Department has issued funding opportunities for SMR designs. Although nuclear energy currently accounts for about 20 percent of the US energy mix, the Biden Administration is bullish on the nuclear industry. It has committed not to decommission old nuclear plants, pledged subsidies to maintain old nuclear plants, and

approved two new nuclear power plants. Bill Gates' TerraPower plans on building its first nontraditional, sodium-cooled nuclear reactor in Kemmerer, Wyoming, bringing thousands of clean-energy jobs to a rural town dominated by the coal industry and illuminating the potential for nuclear energy to revitalize former industrial areas.

There is also growing support for both SMRs and traditional nuclear plants around the world. In December, Canada implemented an action plan that will develop and responsibly deploy SMRs. British Prime Minister Boris Johnson is also a supporter of SMRs and hopes that the technology will help the UK reach its target of zero-carbon electricity by 2035. The highest number of new nuclear power plants are currently being built in Asia, with 35 nuclear plants under construction. In China, the largest expansion of nuclear energy in history is taking place. China is the world's biggest greenhouse gas emitter, so this expansion could help meet China's goal of net zero carbon emissions by 2060.

Nuclear Energy Risks and Opportunities

Although the political tide on nuclear energy may be shifting due to the climate crisis, there are still obstacles to its adoption. Many

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The Nuclear Energy Debate: Opportunities and Risks

environmental groups and activists argue that nuclear energy is not safe. They are increasingly organized politically and plan on opposing the development of new reactors. One of the main risks of nuclear energy is that the waste generated by reactors remains radioactive for potentially thousands of years, and long-term storage solutions for this radioactive waste remains a vexing problem. There are also concerns over proliferation and security. Terrorist groups could target nuclear plants; and trigger a potentially catastrophic event. There are also the economic and business practicalities associated with building new nuclear plants. There is often a long lag time between the planning and operation of a new plant. It may take many years to operationalize a nuclear power plant. Once a nuclear power plant is then operationalized, there are then high operating costs to contend with. Strict maintenance regulations, staffing levels, operator training and regular plant inspections add to the financial burden for companies. This cost could easily reach into a multi-billion-dollar commitment.

In addition, the fluctuating regulatory environment for nuclear energy presents a risk for financiers and legal professionals. The ongoing debate in the EU over green financing taxonomy is one element of

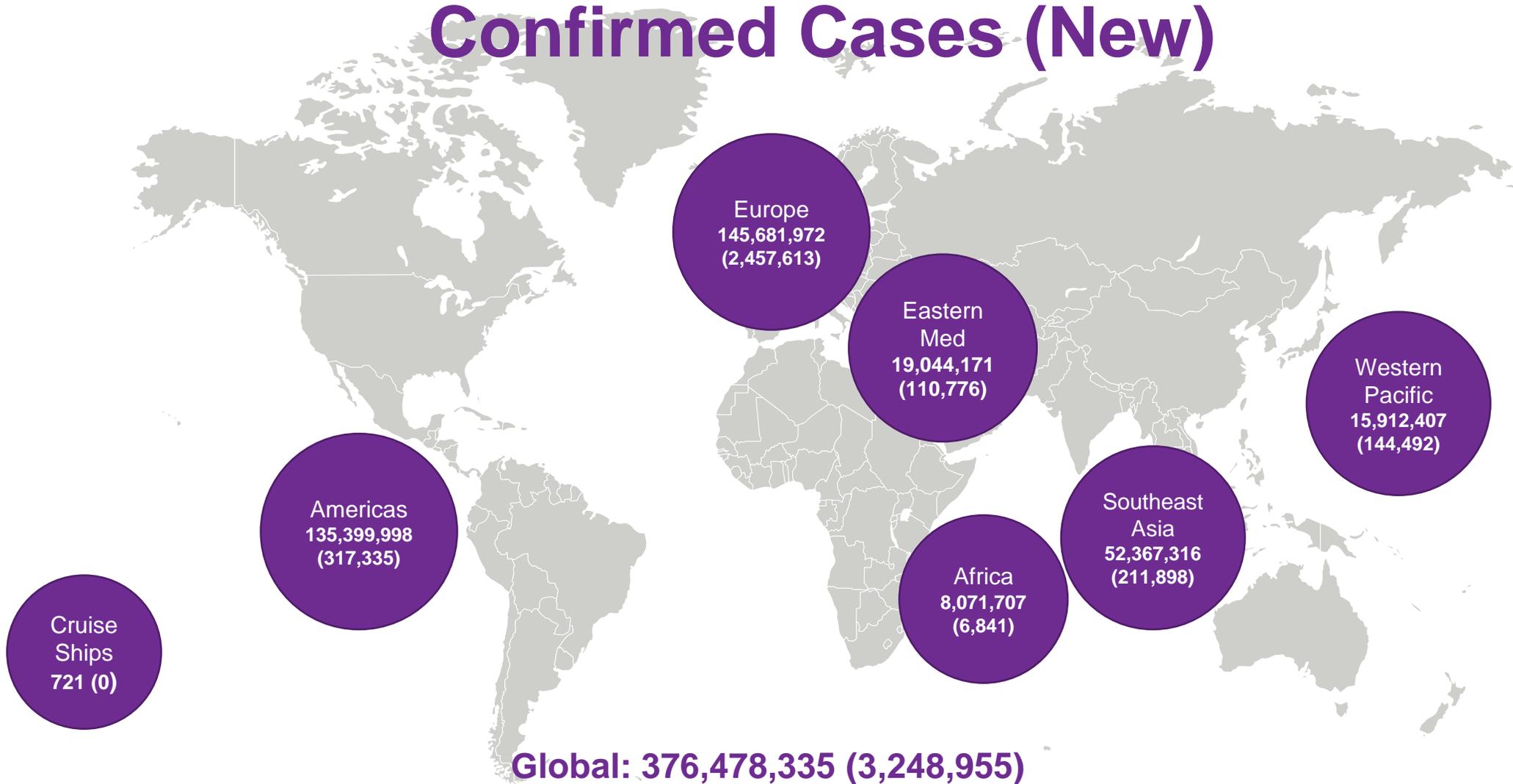
this debate; whether the member states agree to implement a code that classifies nuclear investments as ESG could change investment strategies and social perception of nuclear energy, either by legitimizing nuclear power or having the opposite effect on ESG integrity as investors question the inclusion of potentially “dirty” sources of fuel. Critics argue that the EU nuclear power taxonomy decision has the effect of “greenwashing” the entire classification system. Beyond perception, investment taxonomy that could be in flux for several years could itself act as a deterrent; businesses struggle to understand the current financial policy environment. As the EU has tended to be a trailblazer in ESG and climate-related efforts, their decision could shape future moves in the US and Asia.

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Coronavirus Condition Updates

As of 5:35 pm CEST on February 1, 2022

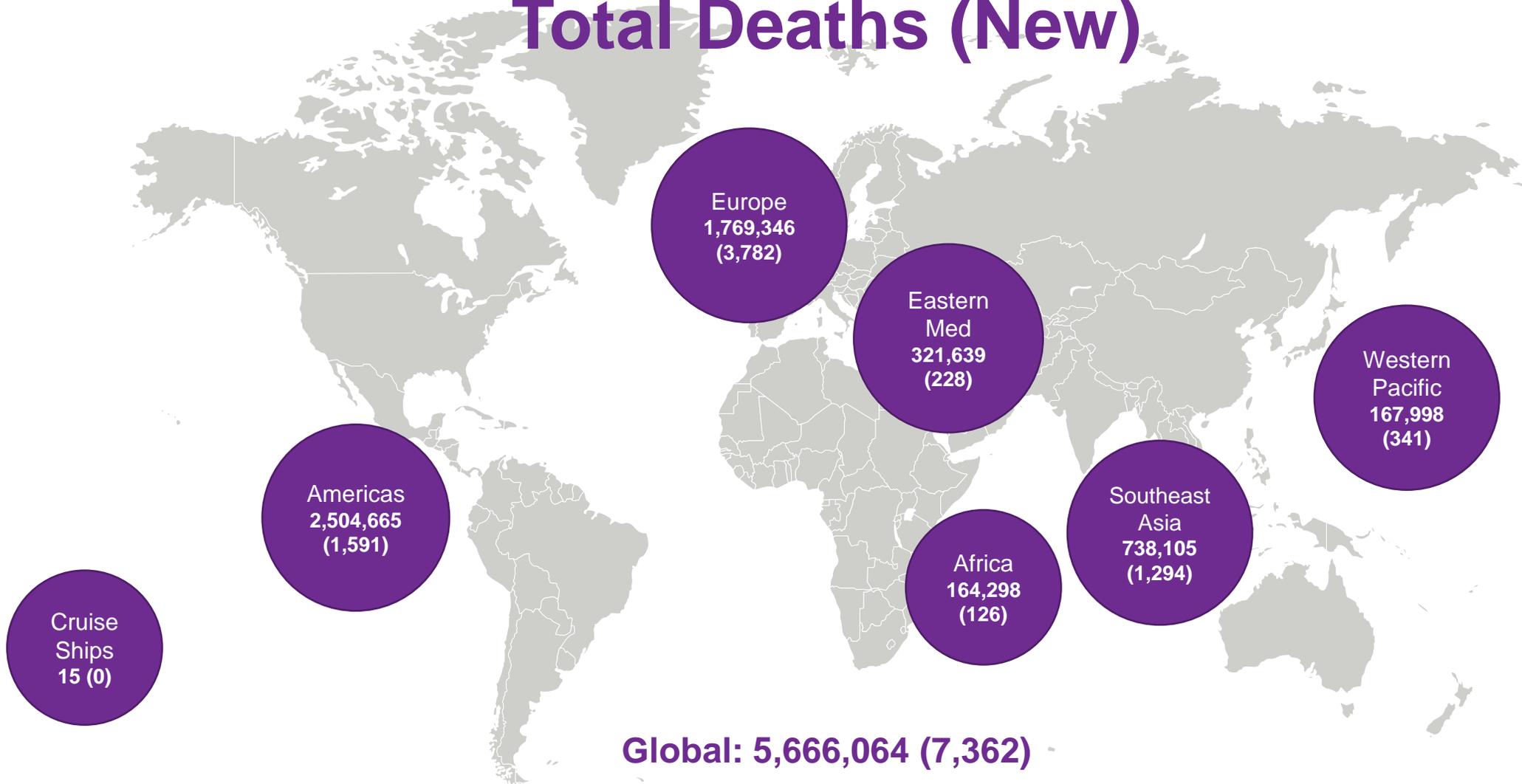
Confirmed Cases (New)



Reflects data as of 5:35 pm CEST on February 1, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:35 pm CEST on February 1, 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.

To read additional analysis, visit the [Dentons Flashpoint portal](#) for insights into geopolitics and governance; industry and markets; cyber and security; science, health and culture; and economic and regulatory issues.

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