

# Dentons Flashpoint

## Daily Global Situation Report

January 19, 2022

# Global Situation Update: January 19, 2022

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## KEY TAKEAWAYS

US and Russian diplomats will meet again in Geneva for talks later this week to avert a threaten Russian invasion of Ukraine.

Free speech is under the spotlight for the Beijing winter Olympics.

Facing an acute labor shortage, the Australian government is encouraging backpackers and students to come and seek temporary employment.

# Global Situation Update: January 19, 2022

## WHAT WE'RE WATCHING

Today, Barbados will hold snap general elections just weeks after the small Caribbean country, a former British colony, became a parliamentary republic. The ruling Barbados Labour Party is unlikely to perform as well as in the 2018 election but is still likely to win a majority of seats in parliament. The opposition filed a late injunction to delay the vote as it argues the main concern of the ruling party should be containing a potential new wave of Covid.

Regardless of the election results, Barbados will remain business friendly since it sees private – including foreign – investment as an opportunity to diversify the country's economy and boost its recovery. The economy remains mostly reliant on tourism and offshore banking. There are some concerns the government has failed to implement key anticorruption measures to combat money laundering.



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

# Global

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**Globally, confirmed coronavirus cases topped 328.5 million with 5.5 million deaths; almost 9.3 billion vaccine doses have been administered.**

- US and Russian diplomats will meet again in Geneva for talks later this week, as the White House continues to seek an end to **tensions over Ukraine** amid threats of a renewed Russian invasion.
- Free speech is under the spotlight for the **Beijing Winter Olympics** as a Chinese official warns that behavior by athletes that violates the Olympic spirit or Chinese rules could be subject to punishment, and the International Olympic Committee reiterated that athletes are free to express their opinions on any matter in press conferences and interviews within the Olympic bubble, as long as it is not during competition or medal ceremonies.
- The WHO chief warned yesterday that the **pandemic** is "*nowhere near over*," and that **new variants** are likely to continue emerging after Omicron.
- The European Union's drug regulator study found that mRNA COVID-19 vaccines do not cause **pregnancy complications** for expectant mothers and their babies.
- The **risk of reinfection** with COVID-19 in the UK has been 16 times greater during the latest Omicron-driven wave than it was between May and December last year when Delta was dominant.

# Markets & Business

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**Big US banks report that they will spend more on salaries and benefits this year, as inflationary pressures, pandemic risks and the tight labor market force them to raise wages to get and keep workers.**

- **AT&T and Verizon** will delay launching new wireless service near some US airports after the nation's largest airlines said the service would interfere with aircraft technology and cause massive flight disruptions.
- The International Energy Agency estimates that **oil supply** will soon overtake demand as some producers are set to pump at or above all-time highs.
- **Microsoft** has agreed to buy video game maker **Activision Blizzard** for \$75 billion in the biggest-ever deal by the tech company.
- A group of more than 100 billionaires and millionaires issued a call to political and business leaders convening virtually for the World Economic Forum to make the **ultra-wealthy pay their full share in taxes** to support global economic recovery.
- The UK's Financial Conduct Authority plans to tighten the rules for advertising high-risk investments as it prepares to take over responsibility for **cryptocurrency** promotions.

# Environment, Sustainability & Governance

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**Per a new study by consultancy Ceruly, US refiners and biofuel companies are likely to reach less than half the renewable diesel production projected by the US government for 2025 due to policy and feedstock constraints.**

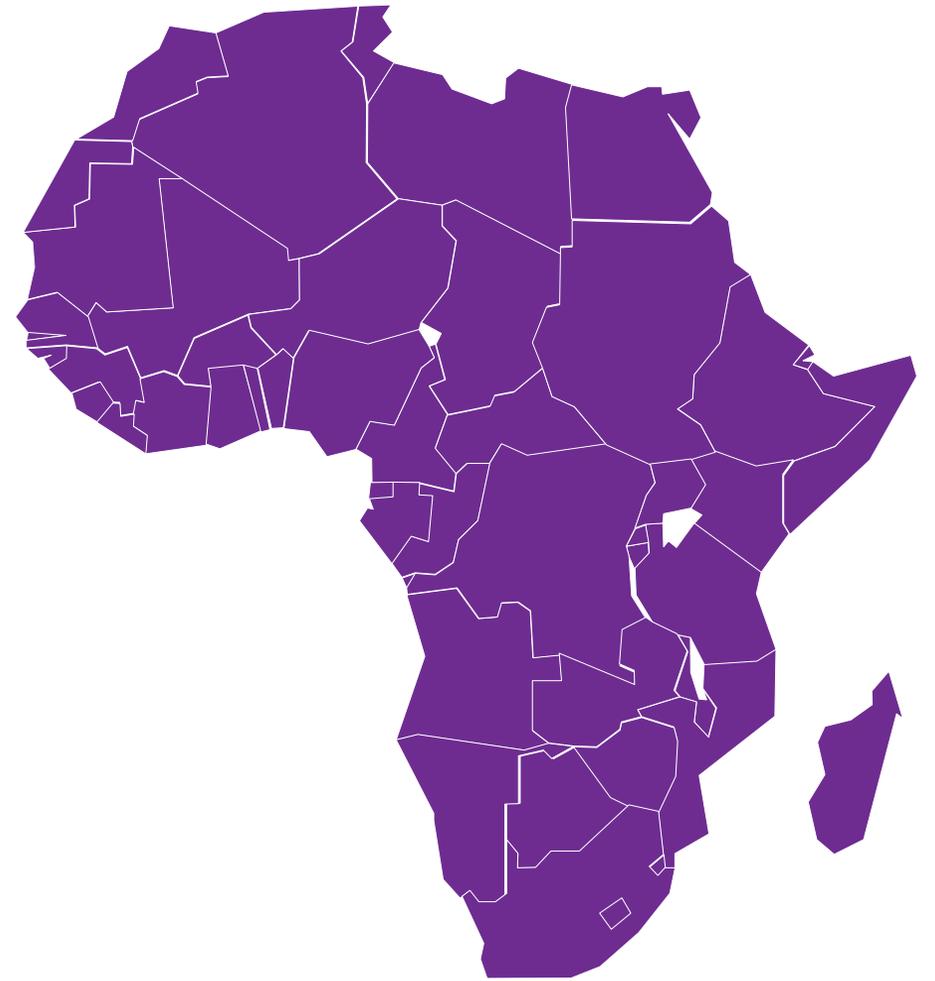
- A new study by Refinitiv Eikon shows global businesses in **sustainable sectors raised record levels of equity** in 2021.
- BlackRock CEO Larry Fink published his yearly letter to CEOs, focusing on the importance of stakeholder capitalism and corporate values to create **long-term returns**.
- ExxonMobil made its plan to reach **net zero emissions** by 2050 official after floating the plan last year.
- IKEA reported that its yearly emissions had fallen 6 percent in 2021, putting it on track to meet its target of becoming **climate positive** by 2030.
- A UK High Court threw out a case brought by climate activists against oil and gas regulator OGA, rejecting their argument that the OGA's actions amount to a type of **unlawful subsidy of the fossil fuel sector**.

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# Africa

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- **Sudanese** streets barricaded streets from security officials as two days of planned civil disobedience to protest the military coup began.
- Schools in northern **Nigeria** reopened for the first time since last September following a spate of mass abductions by terrorists in the region.
- **Burkina Faso's** military said that they had arrested 10 soldiers planning a coup attempt. Four **French** soldiers were wounded in an improvised explosive device blast in northern Burkina Faso. Burkina Faso has been struggling with jihadist attacks since 2015, when militants linked to al-Qa'ida and the Islamic State group began mounting cross-border raids from **Mali**.

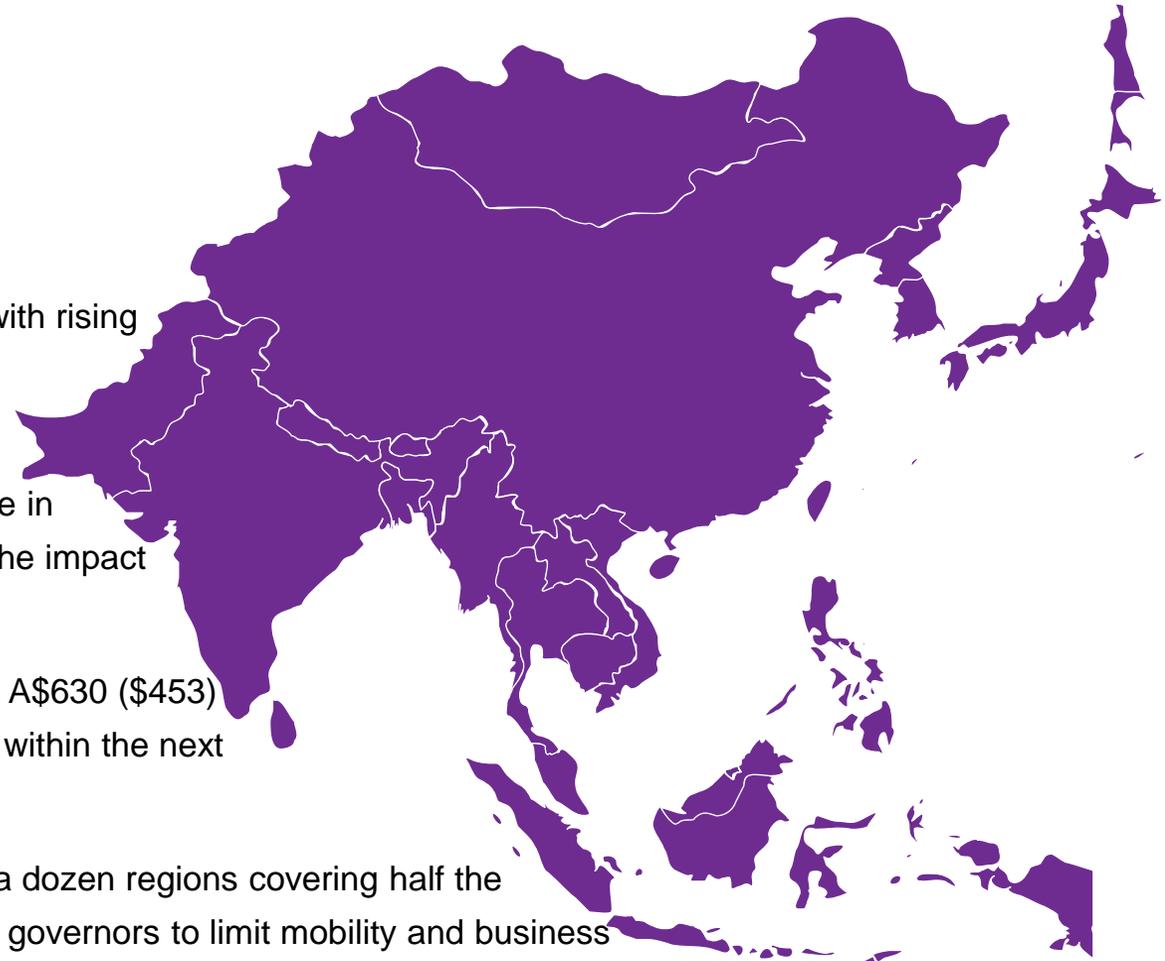


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# Asia

- The Bank of **Japan** raises its inflation forecast for the coming fiscal year, with rising prices potentially dragging further on the nation's slow recovery from the pandemic.
- A third of **US** companies surveyed by the American Chamber of Commerce in **Hong Kong** said they are struggling to fill senior roles, in another sign of the impact the city's tough coronavirus travel restrictions is having on business.
- Facing an acute labor shortage, the **Australian** government is waiving the A\$630 (\$453) visa application fee for any backpacker or student who arrives in Australia within the next 12 weeks and encouraged them to see work as they tour the country.
- **Japan** on Wednesday widened COVID-19 curbs to the capital Tokyo and a dozen regions covering half the population due to the spread of Omicron infections. The measures permit governors to limit mobility and business activities, by shortening the operating hours of bars and restaurants, and barring sales of alcohol. **Malaysian** COVID-19 vaccination certificates are being sold online, with some going for as high as RM3,500 (S\$1,130). **India** extended until February 28 its ban on scheduled international passenger flights. **Vietnam** has recorded its first community cases of the Omicron variant.
- **China's** cyberspace regulator has drafted new guidelines that will require the country's large Internet companies to obtain its approval before they undertake any investments or fundraising. The proposed requirements will apply to any platform company with more than 100 million users, or with more than 10 billion yuan (S\$2.13 billion) in revenue.

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# How do You Manage Incident Response?

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*2021 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

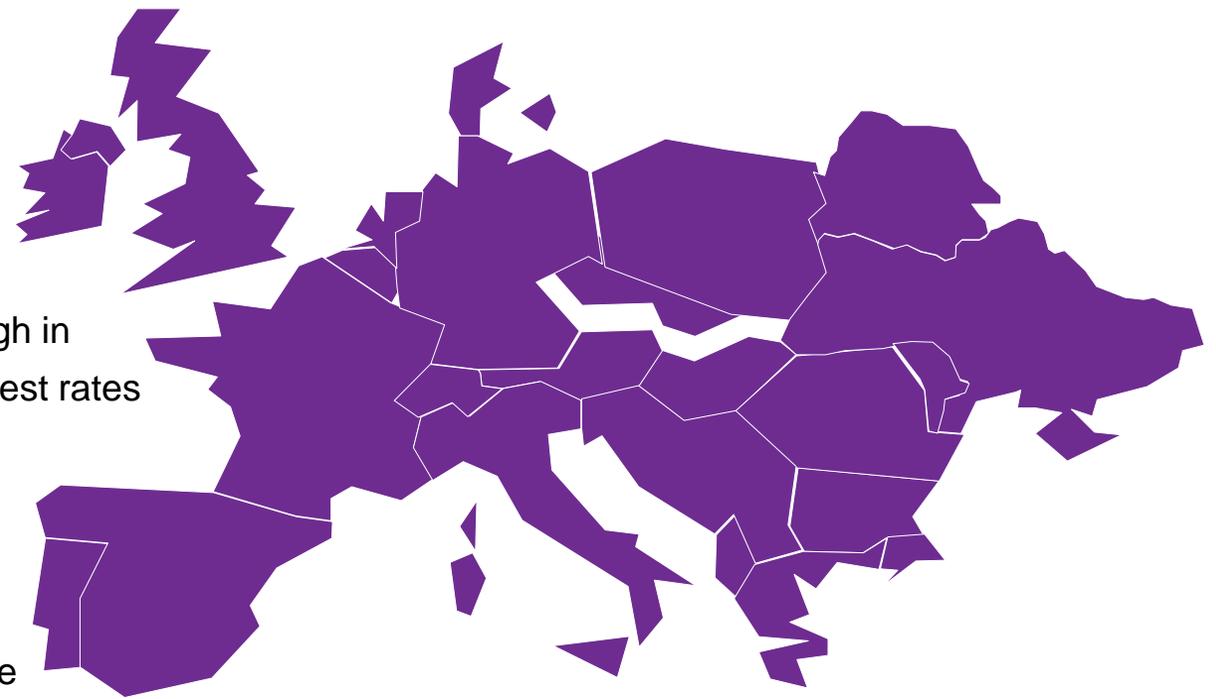
*All interaction with Dentons is attorney-client privileged*

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

# Europe

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- Inflation in **Britain** rose faster than expected to a near 30-year high in December, putting pressure on the Bank of England to raise interest rates again.
- **Germany** signaled that it could halt the Nord Stream 2 pipeline from **Russia** if Moscow invades **Ukraine**.
- **Russia's** Gazprom has rejected **Moldova's** request to reschedule its January gas payment, forcing the country to introduce a state of emergency in its energy sector.
- Security forces blocked several downtown streets in **Kazakhstan's** biggest city Almaty as an opposition group planned to stage protests.
- **Germany** reported 112,323 new coronavirus cases yesterday, a record high, as the health minister called for compulsory vaccination. Travelers to **Sweden** will no longer be required to show a negative COVID test before entering the country. **British** Prime Minister Johnson is facing growing pressures to resign from lawmakers in his own party who are angry over a series of lockdown parties in Downing Street. Johnson is set to announce the end of most COVID-19 measures introduced to curb the rapid spread of the Omicron variant. **Russian** authorities are shortening the required isolation period for people infected with COVID-19 from 14 to 7 days as the country faces a surge of COVID-19 cases.



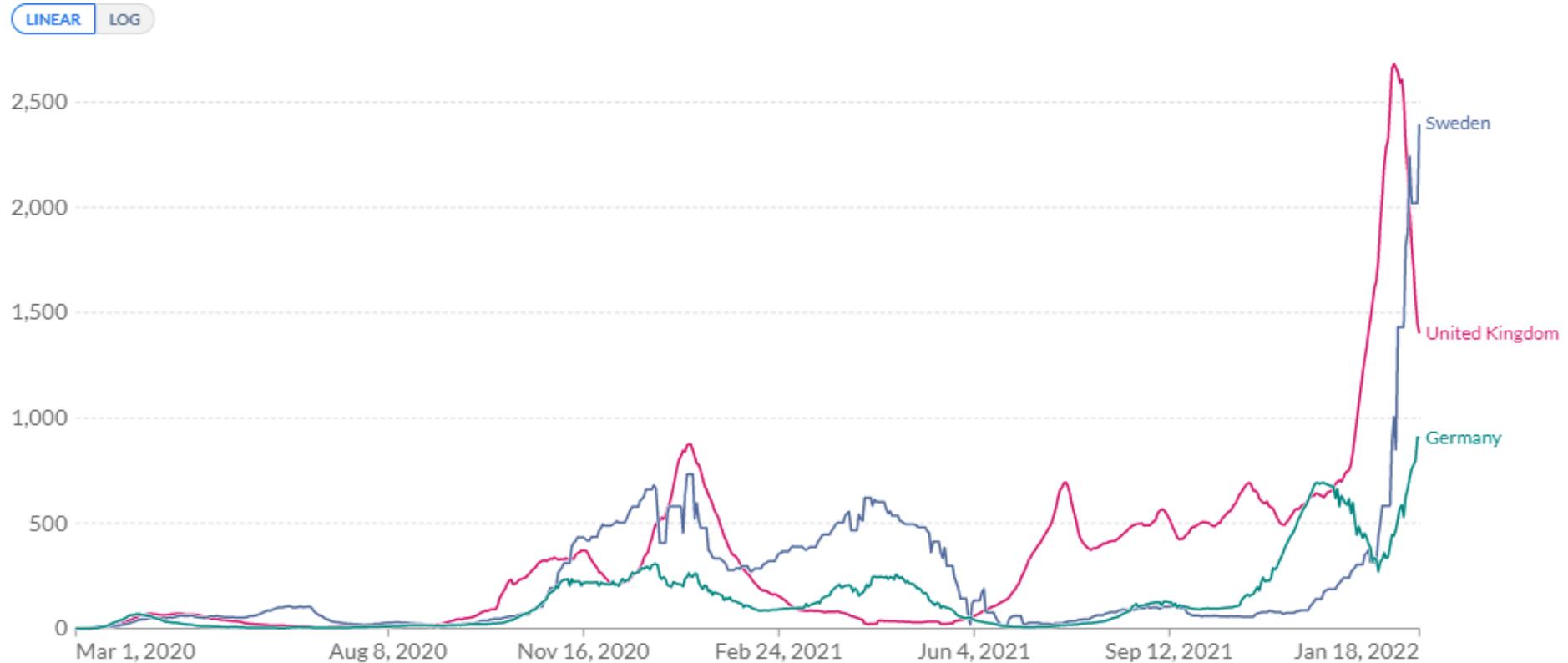
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# Europe

## Daily new confirmed COVID-19 cases per million people

7-day rolling average. Due to limited testing, the number of confirmed cases is lower than the true number of infections.

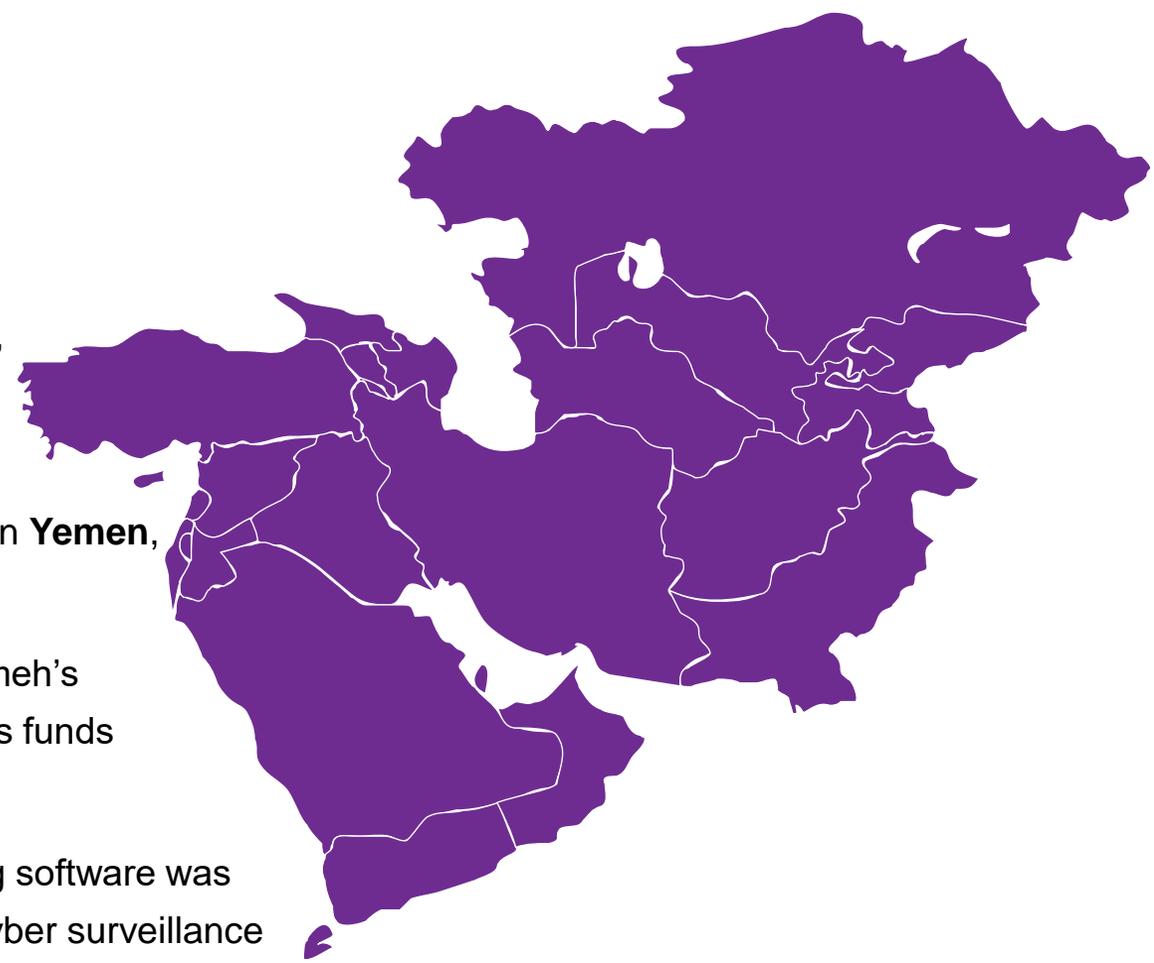
Our World  
in Data



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# Middle East

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- An **Iranian** spokesperson said that “*military strikes are not the answer*” following Houthi strikes on the **UAE**, despite Iranian support of the group. **Israel** offered security and intelligence support to the UAE after the attack. A Houthi leader was killed in **Saudi-led** coalition airstrikes on **Yemen**, per a Saudi news outlet.
- The **Lebanese** judge leading a probe into central bank governor Salameh’s involvement in the country’s financial collapse froze some of Salameh’s funds “*as a precautionary measure.*”
- An **Israeli** newspaper reported that the NSO Group’s Pegasus hacking software was used against Israeli citizens, prompting Israeli police to promise that cyber surveillance is conducted by the book. In a high-profile case, Israeli police forcibly evicted a Palestinian family from their home in a flashpoint **East Jerusalem** neighborhood and destroyed the home, increasing tensions across Palestinian territories.
- **Turkey and the UAE** signed a \$5 billion deal to boost Ankara’s foreign currency reserves in the latest sign of warming ties between the two former rivals.

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# Americas

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- **Guatemala** announced that **Taiwan** had agreed to pay for lobbying for the country in the **US**, a potential bid to counter **Chinese** diplomatic efforts in Central America.
- **Barbados** will today host its first legislative elections since becoming a republic in November; snap elections were called by the current prime minister.
- **Ecuador** announced that it would hold a 2023 referendum on reforms to the justice system, following soaring crime and violence last year.
- **Mexico's** economy appeared to shrink in the last month of the year, stirring concerns over a potential recession.



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# Americas: US

- The US government's new COVIDTests.gov website, set up for American households to order four **free COVID-19 tests** amid the Omicron variant surge, is up and running. Up to 4 free antigen tests will be delivered by the US Postal Service to households upon request. The government also plans to distribute 400 million **N95 masks** for adults free of charge at thousands of pharmacies and other locations starting next week.
- New infections in **New York** dropped to their lowest level in almost a month, a growing sign that some US states hit hard in the latest wave of the pandemic are past peak infection rates. The CDC advised against **travel** to 22 nations and territories because of a rising number of COVID-19 cases, including for Israel, Australia, Egypt, Bahrain, Qatar, Albania, Argentina and Uruguay.
- The Biden Administration released a 10-year plan to treat and maintain millions of additional acres of forests in the western US to reduce the severity of **seasonal wildfires**. The plan will make forests healthier and more resilient to fires through treatments like thinning, pruning, and prescribed burning.
- The Federal Trade Commission and Department of Justice said in a joint statement they are planning to overhaul **merger guidelines**, which could make it far harder to conclude large mergers and acquisitions as the Biden Administration seeks to crack down on anti-competitive practices.



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# Russia, Ukraine and Europe's Energy Security Crisis

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***The crisis along the Ukraine-Russia border continues to escalate and the risks of war are increasing as asymmetrical weapons are being readied and deployed. Ukraine was on the receiving end of a recent cyber attack which shut down a number of government websites, offering a glimpse of what damage Russian cyber warriors are capable if ordered to attack critical infrastructure. Europe, meanwhile, remains the target of Russia's energy weapon as it receives almost 40 percent of its natural gas from Russia, making it highly vulnerable to supply slowdowns or stoppage.***

Currently, gas prices are up to seven times higher than at the beginning 2022. While the price hike is driven partly by a particularly cold winter and increasing economic activity as Europe's recovers from the pandemic recession, growing demand is not being met by more supply. In fact, gas supplies from Russia are declining. Russia's state-run Gazprom is providing approximately 20 percent less gas into the European market in comparison to pre-pandemic levels.

As of now, the European Union has three different routes to market for Russian gas in Northern and Central Europe: Nord Stream 1, Yamal, and the Ukrainian transit route. Russia has to pay transit fees to use the Ukrainian pipelines, an issue that resulted in supply disruptions to Europe in 2006 and again in 2009 when the two countries disputed the fees. Eighty percent of Russian gas to Europe used to flow through the Ukraine, giving Kyiv extraordinary leverage over Russia and leaving Europe caught in the middle. In 2011, the Kremlin finished construction of Nord Stream 1, connecting Germany to Russian supplies, through a Moscow-owned pipeline under the Baltic Sea, cutting out Ukraine. In 2015, Russia began work on Nord Stream 2, which will run alongside of Nord Stream 1. With a capacity of 55 billion cubic meters (bcm), Nord Stream 2 will eliminate the need to ship any gas through Ukrainian own-pipelines, which transport around 40 billion bcm (per the terms of the 2019 transit agreement) to Europe, given Russia leverage over Ukraine.

# Russia, Ukraine and Europe's Energy Security Crisis



Source: Nord Stream AG

Nord Stream 2 is dividing Europe. Some countries, with Germany in the lead, see the pipeline as a commercial project essential to Germany's economic development. Other countries in Europe, plus the US, see the project through a geopolitical lens. Russia announced the Nord Stream 2 project just after Russia annexed Crimea and invaded eastern Ukraine in 2014. Thus, these countries see the net effect of the new pipeline as increasing European dependence on Russia and making Europe more vulnerable to political pressure from the Kremlin. Despite disagreements, Nord Stream 2 has proceeded, with construction finished, awaiting German and European regulatory approval to open. While Berlin's approval appears to be all but certain, EU approval is not because the pipeline does not meet the requirement under the 2009 EU Gas Directive that mandates unbundling, i.e., that the source supplier of the gas and owner of the pipeline cannot be the same. Furthermore, Gazprom opposes the mandatory provisions that third-party access must be made available, meaning that its competitors such as Rosneft and Novatek would be able to sell gas via Nord Stream 2. Finally, there must be tariff price transparency, which is likely to create major headaches for Gazprom by spurring price review challenges to existing long-term supply contracts with many of its other European customers.

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# Russia, Ukraine and Europe's Energy Security Crisis

By threatening to further invade Ukraine, Russian President Putin has set the chess board to maximize pressure on the EU to make concessions not only on limiting the expansion of NATO and EU membership further east, but also on granting an exemption under Article 36 of the EU Gas Directive. Under normal circumstances, the exemption would be highly unlikely, given that Article 36 states that an exemption can only be granted if the investment increases competition in gas supply and enhances security of supply, and the exemption must not be detrimental to competition or the effective functioning of the internal market for natural gas. But conditions are not normal. Russia is driving home that point over the past 29 days, with gas flowing in reverse in the Gazprom-owned Yamal pipeline. The Yamal pipeline runs from the Russian Arctic, through Belarus and Poland and terminates in Germany. It provides around one-sixth of Russian gas exports to Europe. A long-term gas transit contract between Russia and Poland expired in mid-May 2020. Since then, Gazprom has booked short-term transit capacity through the pipeline via auctions. It has not booked capacity at daily auctions since December 19, when the pipeline was last operating in reverse mode. Gazprom announced it has no plans to purchase capacity in February 2022 either.

**Figure 1. Three Seas Initiative**



Source: Map created by CRS.

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# Russia, Ukraine and Europe's Energy Security Crisis

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The US has long opposed the development of Nord Stream 2 because it imperils European energy security. In May 2021, however, the Biden Administration threw in the towel by waiving Congressional sanctions on the company behind Nord Stream 2, as part of an effort to reset relations with Germany and in recognition that the battle had been lost given that construction was completed. The Russian power move on Ukraine, thus provides a new opportunity to rally European allies into a consensus on Nord Stream 2, as a deterrent to Moscow's aggression. The US wants the sanctions package to include a permanent denial of regulatory approval for Nord Stream 2 if Russia further invades Ukraine.

Europe does not lack alternatives when it comes to trusted gas suppliers, whether from Northern Europe, the Middle East or the US. The problem is a lack of infrastructure. Most pipelines run east-west, a legacy of the Soviet Union. The Three Seas Initiative, 3SI, is a regional effort in Europe to expand north-south cross-border energy route in the area between the Adriatic Sea, Baltic Sea, and Black Sea to increase energy independence and infrastructure connectivity. Construction of new pipelines and LNG terminals are sorely needed. In October 2021, Ukraine expressed interest in joining 3SI, which would benefit the region by connecting new

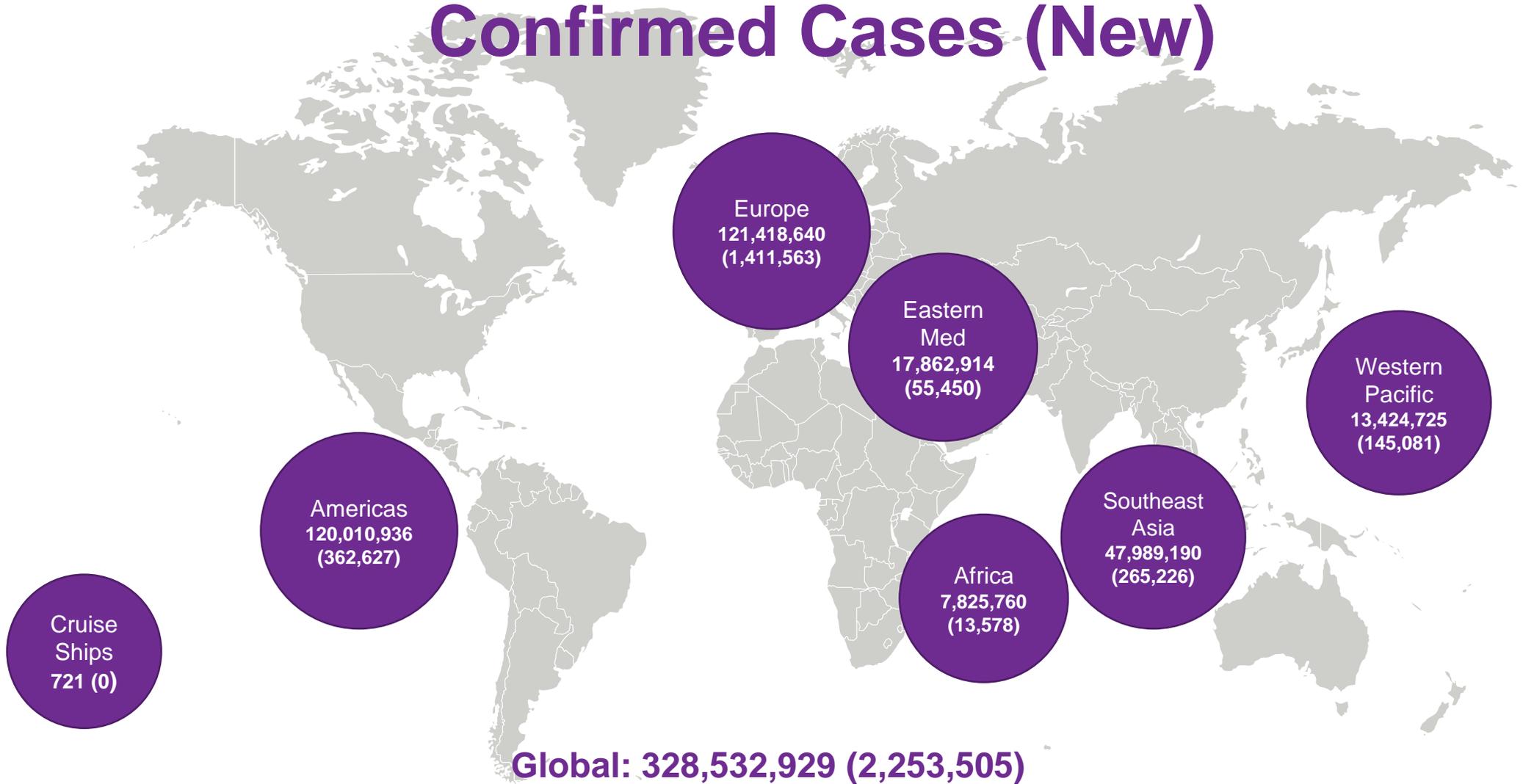
pipelines into Kyiv's vast gas storage capacity, an important resource to meet peak demand, manage atypical supply surges, and support the intermittent availability of renewable power. As renewable capacity increases, solar and wind power will add to the region's energy security, reducing dependence on Russian gas sources. At the same time, power networks across the region could then be upgraded to maximize the use of renewable resources. As bright as the future is, the current crisis with Russia risks a tough winter ahead, with high gas prices and uncertainty driven by brinksmanship.

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# Coronavirus Condition Updates

As of 4:46 pm CEST on January 18, 2022

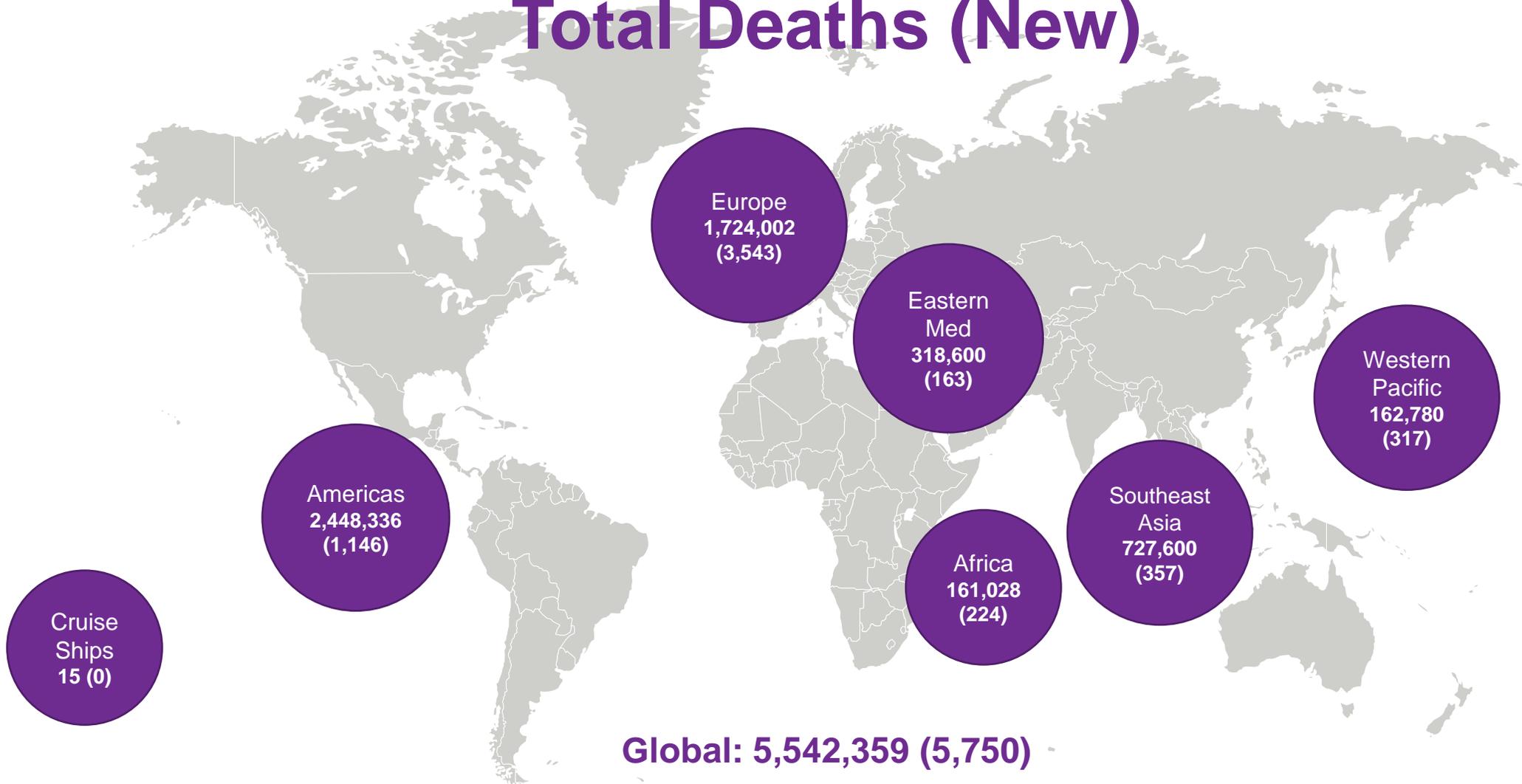
# Confirmed Cases (New)



Reflects data as of 4:46 pm CEST on January 18, 2022.  
Data Source: World Health Organization

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# Total Deaths (New)



Reflects data as of 4:46 pm CEST on January 18, 2022.  
Data Source: World Health Organization

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# Contacts

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*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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