

Dentons Flashpoint

Daily Global Situation Report

July 18, 2022

Global Situation Update: July 18, 2022

KEY TAKEAWAYS

Europe scrambles for alternative sources of gas amid growing fears of Nord Stream 1 permanent shutoff.

Britain's weather forecaster issued its first-ever red "Extreme Heat" warning for parts of England.

Tehran is technically capable of making a nuclear bomb but has yet to decide whether to build one, per a senior adviser to Iran's Supreme Leader Ali Khamenei.

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WHAT WE'RE WATCHING

Countries across the Caribbean and South America are recalibrating national energy strategies amid fallout from Russia's war in Ukraine. Within the next 60 days, Brazil will receive cheap shipments of diesel fuel from Russia following a deal with Moscow. Meanwhile, long-time Kremlin ally Cuba just late last week received 700,000 barrels of Russian fuel worth \$70 million.

Guyana and Suriname are forming a strategic energy alliance with new offshore production that could help close the energy gap for many European Union countries over the next couple years. Elsewhere, Colombia's new government will pursue policies that prioritize a green economy and revenue from tourism over oil production. Neighboring Venezuela could stand to lose market share if cheap Russian oil is bought by Caracas' usual buyers.



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

Global

Central banks in the US, Europe, Canada and parts of Asia are lifting interest to tame growing inflation. At least 75 central banks have lifted interest rates this year, many from historically low levels.

- As Russia prepares for its next offensive in the Donbas, former Russian president Dmitry Medvedev warns of “Judgement Day,” if Ukraine and NATO powers persist in refusing to recognize Moscow's authority over **Crimea**, which Medvedev characterized as a "systemic threat" for Russia. Russia occupied the Crimea in 2014 and has sought international recognition for its annexation.
- Canada sent a turbine for the Nord Stream gas pipeline to Germany by plane yesterday after repair work had been completed. Although the repair work is expected to be completed this week, Russia has warned that the resumption of **gas flows to Europe** depends upon lifting of EU sanctions against Russia.

Markets & Business

The Dutch central bank fined cryptocurrency exchange Binance 3.3 million euros (\$3.35 million) for offering services in the Netherlands without being registered in the country.

- The UAE launched a 3 billion UAE dirham (\$816.84 million) fund to support its space program and a new initiative to develop **radar satellites**.
- **H&M** the world's second-biggest fashion retailer, will wind down its business in Russia, joining a growing list of companies fully exiting the country. The entire wind-down is expected to cost about 2 billion Swedish crowns (\$191.3 million), of which about 1 billion crowns will have a cash flow impact.
- **Stellantis** announced the "*orderly termination*" of its loss-making joint venture with Chinese carmaker **GAC**, which has been producing Jeep vehicles, only four months after saying it would raise its stake in the business.
- Russian blockchain firm **Atomyze** has launched the first digital token backed by palladium produced by Nornickel.

Environment, Sustainability & Governance

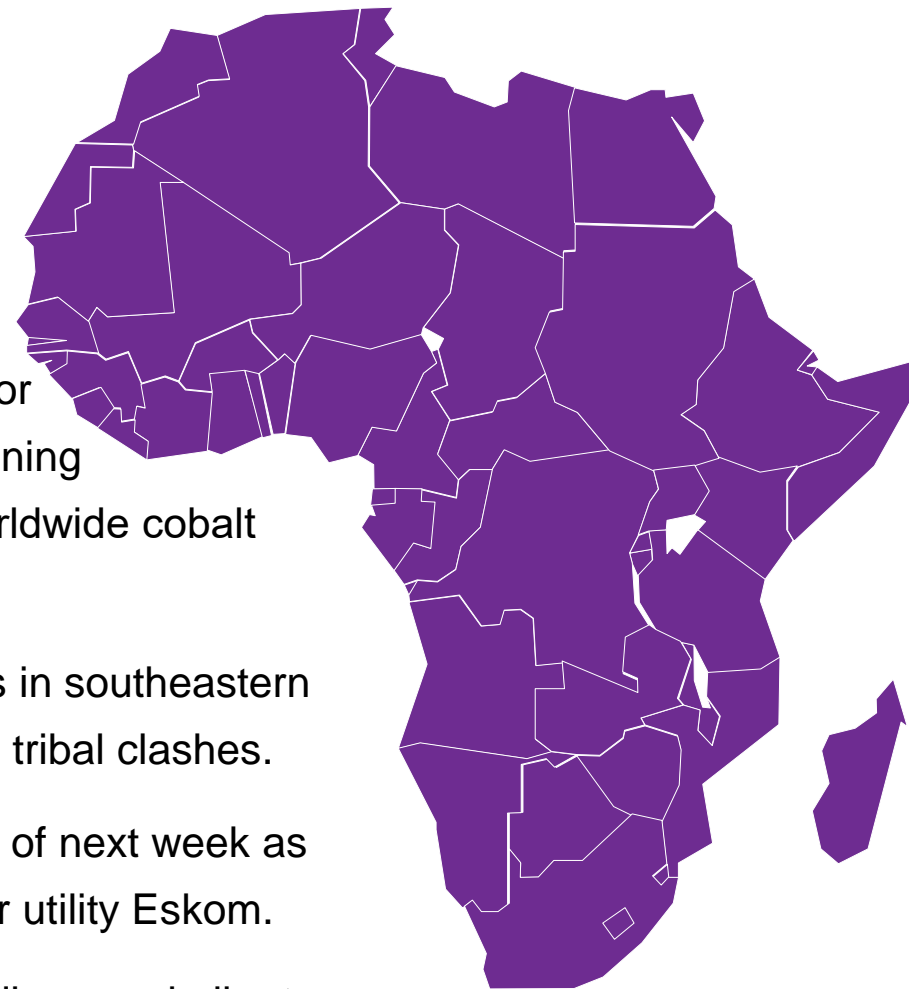
Authorities across southern Europe battled to control huge wildfires in countries including Spain, Greece and France, with hundreds of deaths blamed on soaring temperatures that scientists say are consistent with climate change.

- Britain's weather forecaster issued its first-ever red "**Extreme Heat**" warning for parts of England for today and tomorrow when temperatures are forecast to reach record highs, triggering a "national emergency" alert level.
- The consequences of the Ukraine conflict could accelerate Germany's **green energy transition** despite Berlin's decision to reconnect coal-fired power plants to compensate for falling fossil fuel supplies from Russia, per a new study.
- **Deforestation** in Colombia edged up for the second year in a row in 2021, rising 1.5 percent versus 2020 levels, per the environment ministry, as environmentalists warned of the impact of a high number of fires this year.

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Africa

- CMOC's Tenke Fungurume copper and cobalt mine has suspended all exports, complying with demands by a court-appointed administrator in a dispute with the **Democratic Republic of Congo** state-owned mining company. CMOC's exports accounted for more than 10 percent of worldwide cobalt output in 2021.
- **Sudanese** authorities have declared an overnight curfew in two towns in southeastern Blue Nile state, close to the border with Ethiopia, after several days of tribal clashes.
- Rolling power cuts in **South Africa** should come to an end by the end of next week as more power generation units come online, per the CEO of state power utility Eskom.
- **Ghana** confirmed two cases of the Marburg virus, a highly infectious disease similar to Ebola after two people who later died tested positive for the virus earlier this month.



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Asia

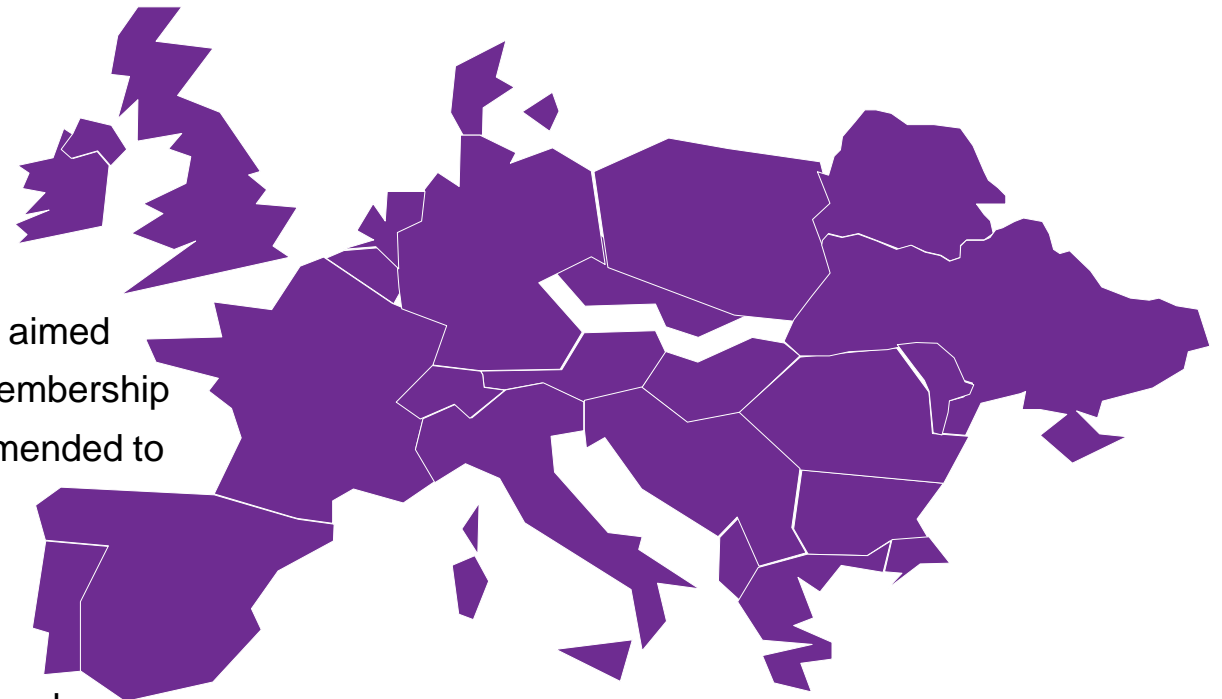
- The heirs of a 19th century sultanate are seeking to seize **Malaysian** government assets around the world in a bid to enforce a \$14.9 billion arbitration award they won against the Southeast Asian nation, despite a stay on the case handed by a French court.
- **Philippine** President Marcos Jr ordered the transport ministry to renegotiate loan agreements struck by his predecessor with **China** for railway projects worth \$4.90 billion.
- **Chinese** regulators urged banks to extend loans to qualified real estate projects and meet developers financing needs where reasonable, in their latest effort to ease concerns triggered by a widening mortgage-payment boycott on unfinished houses.
- **South Korean** Foreign Minister Park Jin is in Tokyo today, in what is expected to be a meeting of reconciliation with new President Yoon Suk-yeol, to overcome historical disputes and repair strained ties with **Japan**.



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Europe

- Lawmakers in **North Macedonia** passed a French-brokered deal aimed at settling a dispute with **Bulgaria** and clearing the way for **EU** membership talks. The deal requires that North Macedonia's constitution be amended to recognize a Bulgarian minority in exchange for Bulgaria lifting its objections against North Macedonia's EU membership.
- **Ukrainian** President Zelenskiy abruptly fired the head of the domestic security agency, the SBU, and the state prosecutor general, citing dozens of cases of collaboration with **Russia** by officials in their agencies.
- **European** commission president Ursula von der Leyen is meeting **Azerbaijani** officials in Baku today and is expected to close a deal to increase imports of natural gas to the EU. The proposed deal between Baku and the EU would increase gas flow into the bloc through the Southern Gas Corridor pipeline.
- With his government's fate in limbo, **Italian** Prime Minister Mario Draghi is visiting **Algeria** today to finalize deals seeking to boost Italy's gas supplies as Europeans brace for a possible cut-off of Russian gas.
- **UAE** President Sheikh Mohamed bin Zayed Al-Nahyan is in Paris today for meeting with **French** President Macron; the two-day visit focused on fuel and transport deals as France attempts to diversify its energy sources away from Russia.



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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.

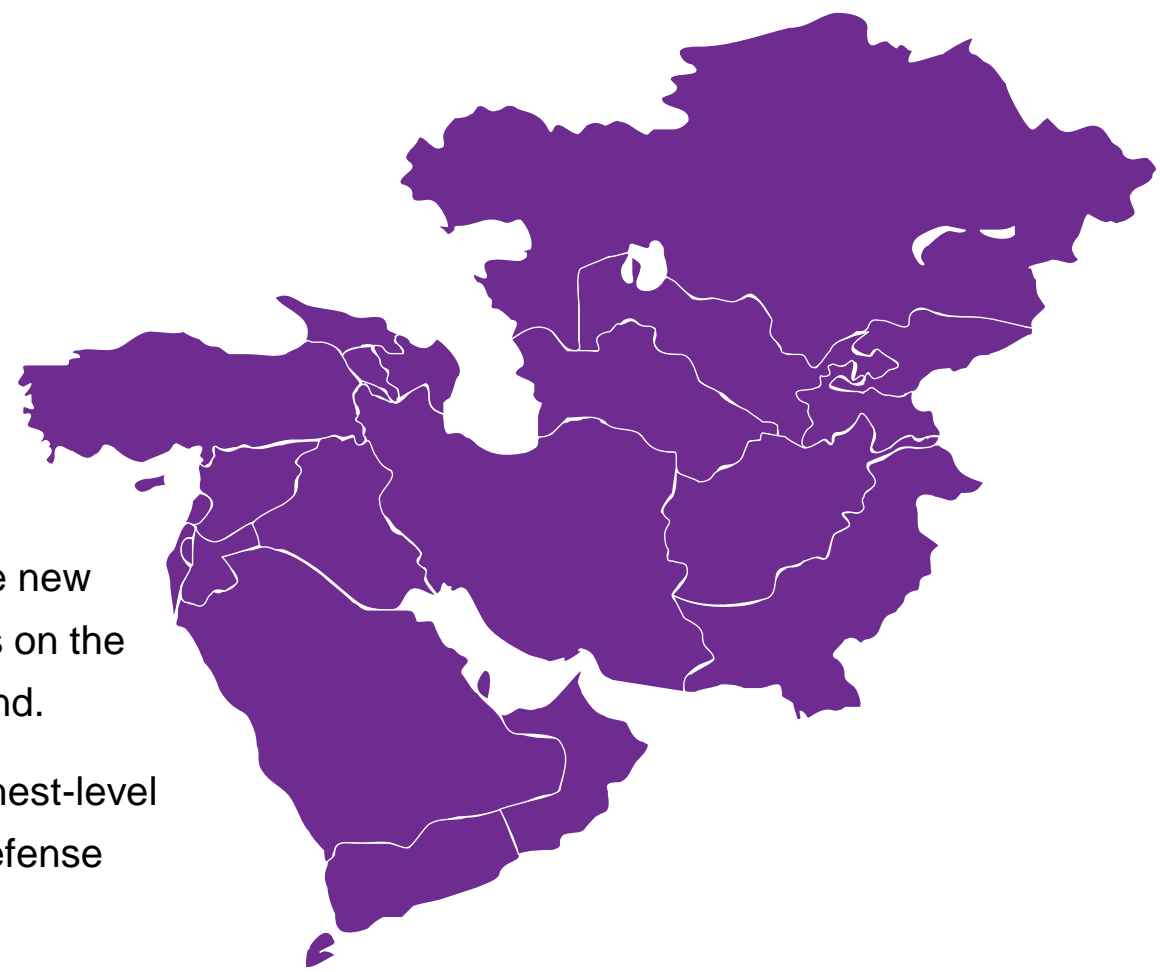
Dentons tabletop sessions are fluid, and designed to enhance preparedness with services, including:

- ❖ 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



- Tehran is technically capable of making a nuclear bomb but has yet to decide whether to build one, per a senior adviser to **Iran's** Supreme Leader Ali Khamenei.
- **Pakistani** politics were thrown into fresh turmoil Sunday when the new government lost a series of by-elections after imposing price rises on the population to secure a bailout from the International Monetary Fund.
- The chief of **Israel's** armed forces is in **Morocco** today in the highest-level public engagement between the countries, as part of emerging defense cooperation initiative.
- **US** President Biden told Arab leaders that the US would remain an active partner in the **Middle East**, but he failed to secure commitments to a regional security axis that would include Israel or an immediate oil output rise. Biden will announce during the Arab summit that the US will commit \$1 billion in new near- and long-term food security assistance for the Middle East and North Africa region.

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Americas

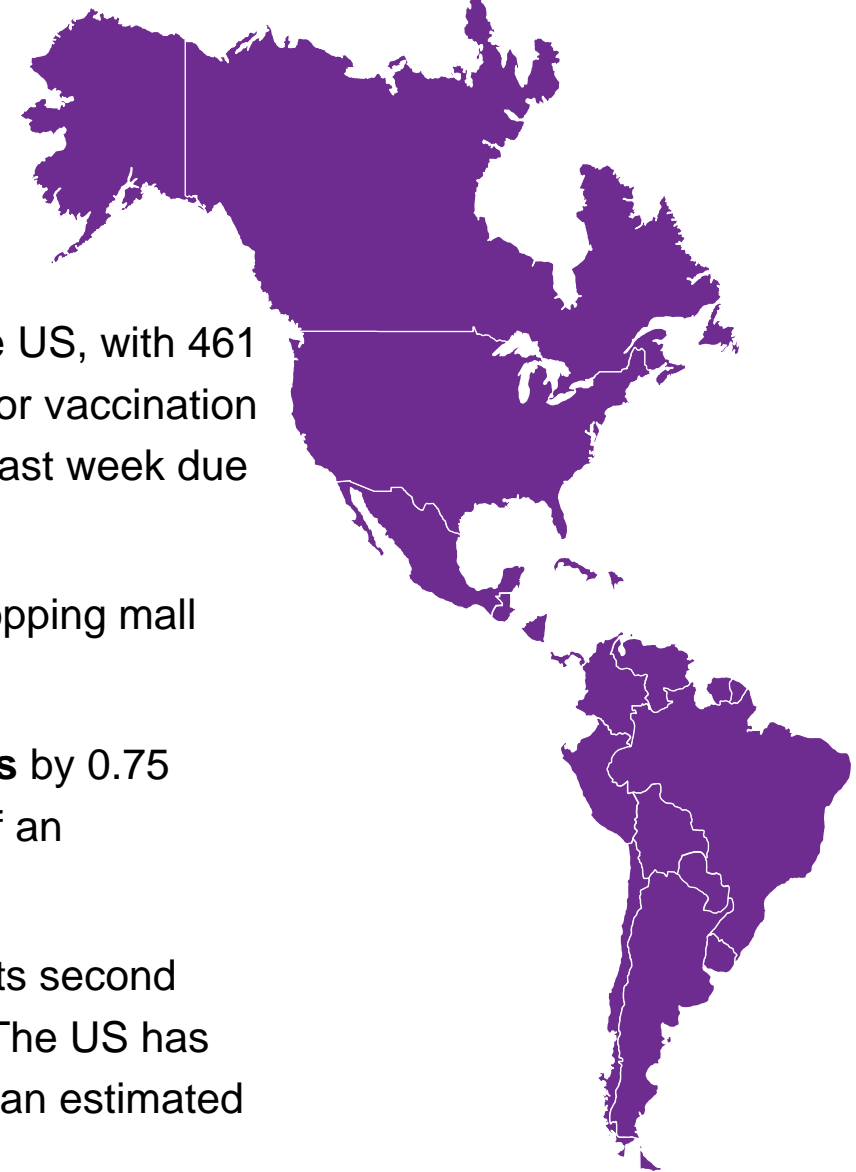
- The Bank of **Canada** expects inflation to go "*a little over*" 8 percent, as soon as next week when June's data is released and stay in that range for a few more months.
- **Peruvian** lawmakers are considering restoring its traditional bicameral legislature after three decades operating with a unicameral Congress; the measure would need to be approved through a referendum.
- The United Nations Security Council unanimously threatened targeted sanctions against criminal gangs and human rights abusers in **Haiti** and called on countries to stop a flow of guns to the strife-torn Caribbean country.



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Americas: US

- New York is emerging as the center of the **monkeypox** virus outbreak in the US, with 461 cases recorded Friday since the US outbreak began in May. Appointments for vaccination are scarce, and the government website scheduling appointments crashed last week due to heavy demand.
- In the latest incident of **gun violence**, a gunman killed three people in a shopping mall outside Indianapolis yesterday before a bystander fatally shot the assailant.
- Federal Reserve officials have signaled they are likely to raise **interest rates** by 0.75 percentage point later this month, for the second straight meeting, as part of an aggressive effort to combat high inflation.
- A US Navy destroyer sailed near the disputed Spratly Islands on Saturday, its second such "*freedom of navigation*" operation in a week in the **South China Sea**. The US has approved the potential sale of military technical assistance to **Taiwan** worth an estimated \$108 million.



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The Future of Transportation: Assessing Electric Aviation

By Matthew Gardell

Electric airplanes are in the spotlight as more startups strike deals with airline companies to develop electric aircraft fleets. Electrifying aircraft could be a key tool for mitigating the effects of climate change. The industry is in its early stages and is expected to grow over the next decade. There is a business case for introducing electric airplanes on shorter, regional flights, but risks associated for long-haul flights.

Last month, aviation company REGENT announced that it is partnering with Hawaiian carrier Mokulele Airlines to create a seaglider network in Hawaii. A seaglider is an electric aircraft that takes off and lands on water while hovering just above the water surface. Designed to function as a water-taxi, a seaglider requires half the operating costs of a traditional airplane, makes less noise, and crucially, emits no emissions. This partnership could portend more deals to develop electric aircraft fleets and serve to revolutionize coastal transportation. Electric airplanes use batteries to power an electric motor instead of jet fuel to power an engine. Like electric vehicles, lithium is a key component in electric airplane batteries.

Other types of electric airplane models similarly produce zero emissions but with different design prototypes. There are full-size passenger planes such as the Wright Electric, small to mid-size passenger planes, passenger drones and even flying taxis. In the United Arab Emirates, Dubai is becoming a testing ground for electric flying taxis with air taxis for tourists slated to take off in 2026. The diversity of prototypes demonstrates the potential wide application of uses for electric aircraft. In many ways, the emergence of electric aircraft also dovetails with the future of cities, urban mobility and the broader aviation industry.

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The Future of Transportation: Assessing Electric Aviation

Industry Insights

The electric airplane industry is as an emerging sector with a strong potential for growth. However, the battery technology is not yet fully-formed and most electric aircraft are smaller models tailored for shorter, regional flights. The key for a mass breakthrough is whether electric airplanes will be introduced commercially for long-haul flights. According to the research firm MarketsandMarkets, the global market for electric aircraft is projected to reach \$27.7 billion by 2030. Industry growth will be driven by the deployment of urban air mobility aircraft and use of electric aircraft for cargo applications. The battery segment will also grow during this period as industry seeks advancements related to lowering the power density of batteries. North America will remain the largest market for electric airplanes; the region is developing some of the earliest uses of urban air mobility and the US military has been a pioneer in adopting electric UAVs. Although there is excitement over the possibility of electrifying commercial airline fleets, the logistics sector currently has the most investment potential and will drive short-term growth. The sector is moving towards zero carbon emission transport solutions and the smaller, more portable aircraft are more suitable for electrification.

Analyzing the Business Case and Risks

Electrifying aviation is an important strategy to mitigating climate change as the aviation industry accounts for around 2.5 percent of global CO2 emissions. Electrifying a company's aircraft fleet could ultimately lead to lower operating costs, as there would be reduced fuel consumption and minimal maintenance. Electric airplanes could have the most impact on shorter, regional routes. Airline CEOs continually grapple with where and how to expand into smaller and mid-size markets, something that will give them a competitive advantage and foothold over other airlines. Electric aircraft (using the smaller models) could help airlines bolster their regional routes by making these routes more profitable. The low operating costs of electric airplanes could lead to these routes making more business sense for airlines. Technologically, it is also more conducive to electrify smaller planes. Regional airlines could therefore benefit from electrifying their fleets, and during a time of record fuel prices, national airlines could be enticed to consider developing electric airplanes. Last year, United Airlines agreed to buy 100 ES-19 electric planes from Swedish startup with the intention of integrating them into regional routes by 2026.

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The Future of Transportation: Assessing Electric Aviation

Finally, electrifying fleets could help airline companies meet government-mandated climate and ESG benchmarks. Europe has been leading the way on government investment in electric airplanes, and just last week, the European Parliament proposed the creation of a Sustainable Aviation Fund to support research and investment into clean aircraft propulsion technologies, such as electric-planes. In addition to investment, the parliament also approved draft EU rules to increase the amount of green jet fuel used in the aviation sector, a move that could portend an eventual move to electrification.

While there is a business case for introducing electric airplanes on regional routes using smaller aircraft, larger electric airplanes are still not yet mass manufactured. This means that at this time there is a high cost and investment to building out an electric airplane fleet. Airplanes also take longer to recharge than to refuel (especially in cold weather), and unlike jet fuel, there is no loss of energy consumption during the flight. This creates problems for long-haul flights and could make longer flights with electric airplanes inefficient. There is also the issue of energy (high battery) density as jet fuel has

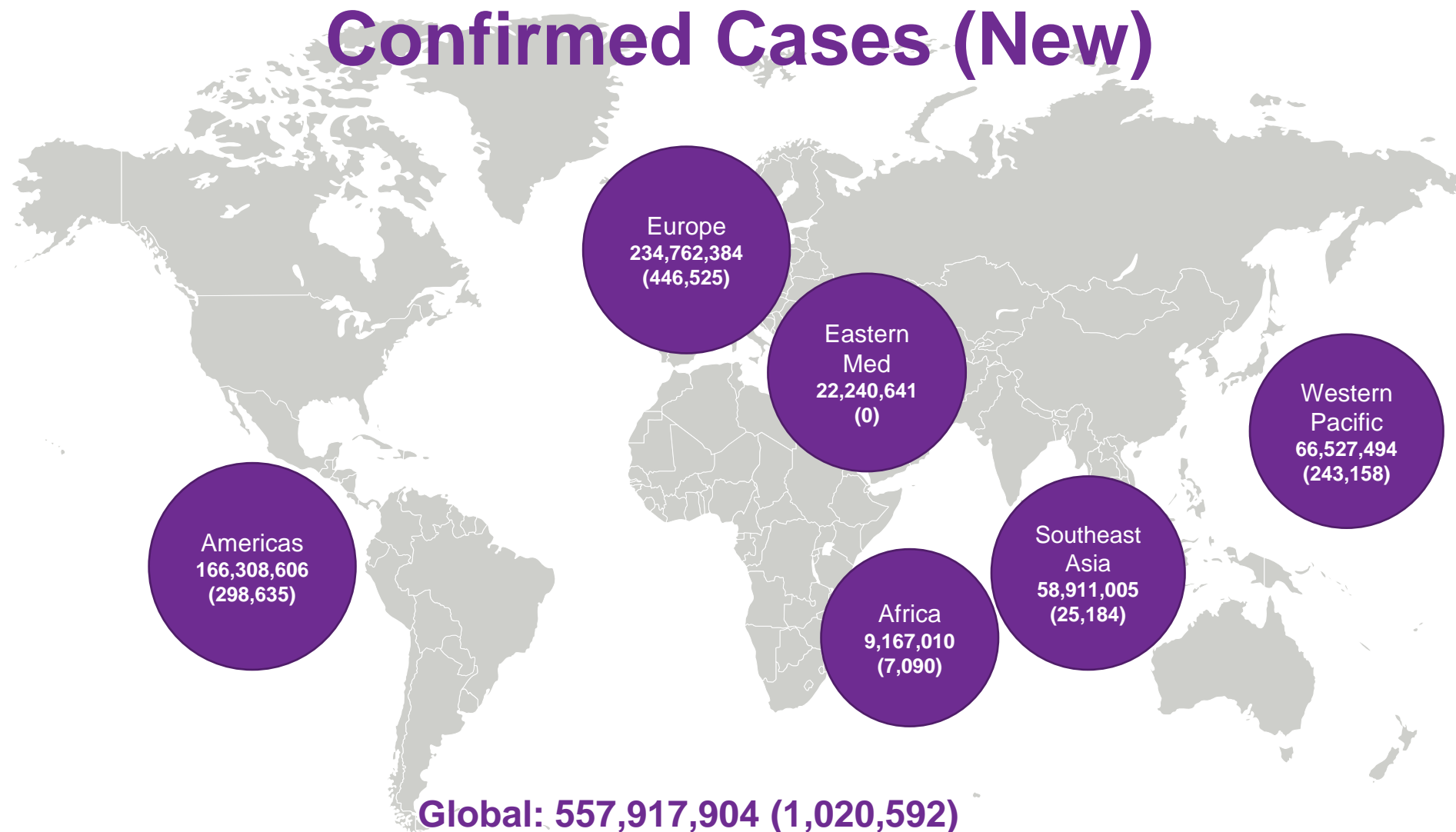
a much higher density than the current crop of batteries. Airlines therefore need to use “heavier batteries” which could leave them with no choice but to reduce payload or passengers. One of the ways the commercial airline industry has been trying to increase profit margins is by adding passenger seats, so a potential reduction in seats would be detrimental to their operations. Like electric vehicles, it seems inevitable that aviation will be become electrified to some degree, but the key question will be whether or not there are technological breakthroughs to allow a better transition to larger electric planes.

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Coronavirus Condition Updates

As of 5:46 pm CEST on July 15, 2022

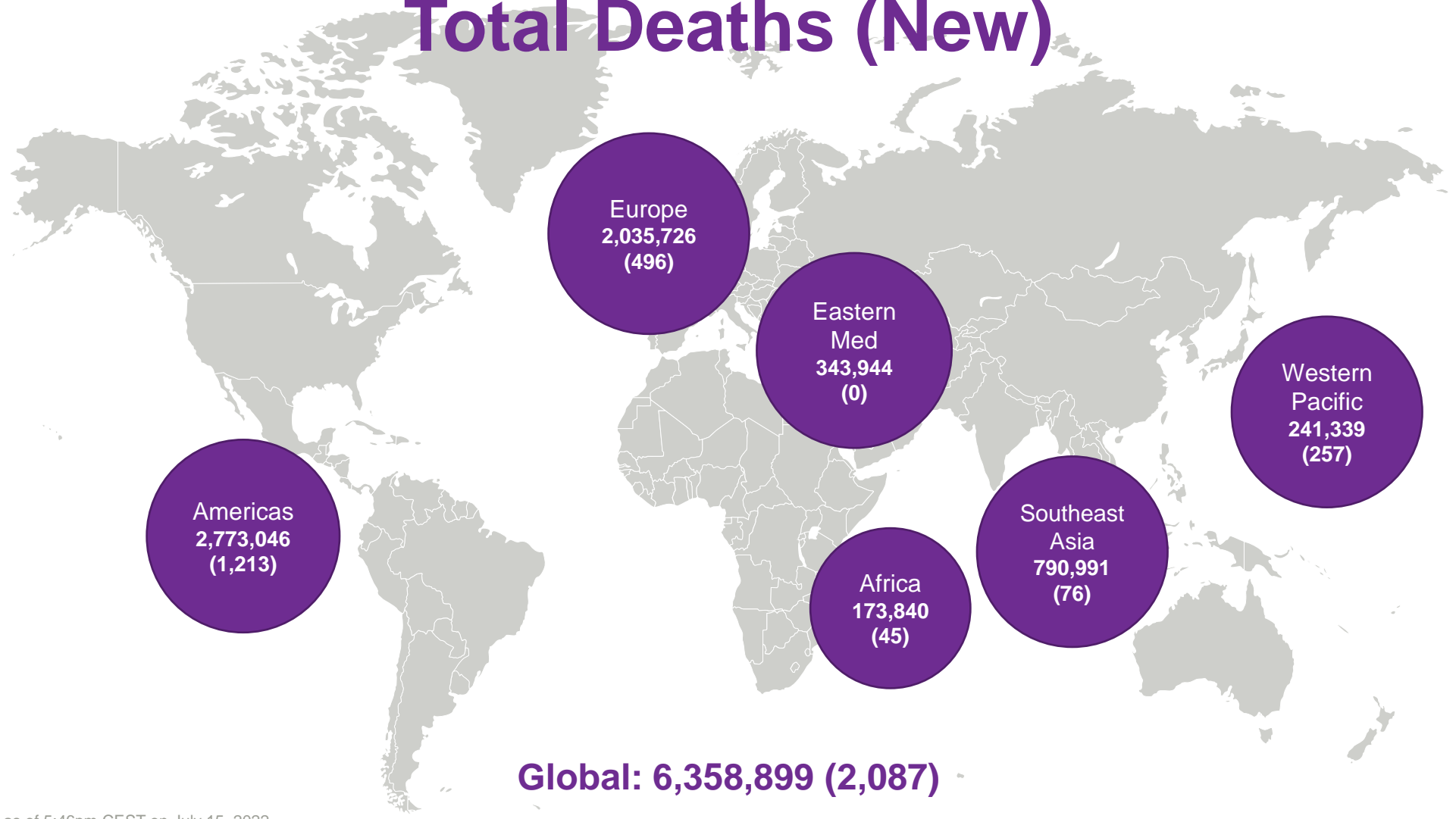
Confirmed Cases (New)



Reflects data as of 5:46pm CEST on July 15, 2022.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 5:46pm CEST on July 15, 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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