

Advisory

Ukraine and Russia conflict - update #4 Advisory

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The ripple effects on Transportation & Logistics stemming from the ongoing conflict between Russia and Ukraine continue to evolve.

Observing the special nature of this situation and after careful consideration, we have effective 4th March, decided to suspend bookings to/from Russia and Belarus temporarily.

The suspension is valid for 14 days until 18th March, when we re-evaluate the situation.

Certain product categories are exempt from this measure, specifically aid and relief supplies, humanitarian supplies, medicine, and food.

Our rail service connecting China and Europe transiting via Russia remains open for service. However, we will daily assess the feasibility of keeping this service operational. This is to ensure we can continue to deliver on our customer commitments and as well recognize that further sanctions can come into effect.

Overview of the freight market

Within airfreight, the consequence of the closed Russian airspace is still significantly impacting flight schedules resulting in extended flight time and/or cancellation of flights.

Cargolux has introduced a war surcharge, and other airlines have announced fuel surcharge increases as a result of the rapidly increasing oil prices.

Ocean freight carriers continue to suspend bookings to/from Russia temporarily, latest have CMA-CGM and MSC followed in the footsteps of Hapag Lloyd, ONE, and Maersk.

Rail freight, as mentioned, continues to operate, but we foresee that delays will occur at border crossing points.

AIRFREIGHT

- **NEW:** US President Joe Biden informed yesterday in his State of Union speech that the US will also ban Russia from utilizing its airspace – we assess Russia will implement a US ban as a countermeasure.
- **NEW:** Cargolux has introduced a war surcharge of USD 0.20/kg from cargo to and from Asia.
- **NEW:** Fuel Surcharge increases are starting to be announced by numerous airlines
- **NEW:** Lufthansa, Air France/KLM, Finnair, Virgin Atlantic have all cancelled a number of North Asian flights
- **NEW:** The major Asian and Middle Eastern airlines are not affected at this stage and continue to operate within Russian airspace
- All flights to/from Ukraine remain suspended
- The European Union, Canada, and the UK have banned all Russian-owned and Russian-controlled aircrafts from entering their respective airspace
- As a retaliation measure, Russian airspace will be closed for all countries that have banned Russia from airspace passage
- Many airlines have already initiated to suspend a number of flights and design alternative routes, leading to extended flight time and increased fuel cost
- Singapore Airlines, Swiss, Japan Airlines, FedEx, and UPS have suspended direct flights to/from Russia
- Russian freighter carriers Airbridge, Aeroflot and Volga are significantly impacted. They have cancelled the majority of flights to/from Asia, with this having a significant overall capacity impact

OCEAN FREIGHT

- **NEW:** CMA-CGM and MSC have suspended all bookings to/from Russia until further notice.
- All carriers have ceased service to/from Ukraine
- Maersk, ONE, and Hapag-Lloyd have announced today temporarily suspend all bookings to/from Russia
- The suspension has certain exceptions: medicine, food, as well as aid and relief cargo and humanitarian supplies
- Cargo onboard vessels will be re-routed and discharged at ports in the Black Sea and East Mediterranean. CMA CGM utilizes Constanza, Tripoli, and Piraeus, while Maersk has opted for Port Said and Korfez as a few examples.
- It remains unknown if the European Union will impose a ban on Russian-owned vessels destined EU ports similar to the imposed flight ban.

We expect a continued increase in port congestion in the East Mediterranean and the Black Sea area as a result of re-routings taking place. From earlier incidents, i.e., the Suez Canal incident last year, we have seen that trade lanes are inter-connected, leading to potential ripple effects throughout the network.

ROAD TRANSPORT

- All borders are closed to/from Ukraine with certain exceptions of Aid & Relief and Government & Defence movements.

RAIL FREIGHT

- Rail freight from Asia to and from Europe remains fully operational for now, despite intense speculation on the impact due to passage through Russia and Belarus.
- Russian railways are included on the sanctions list from the US however, there is no ban on transport via Russia as we speak.
- Most of the focus is currently on the potential impact of Russia being excluded from the SWIFT payment system and how China rail freight providers will respond to this. For now, it is considered that transactions can still take place.

Despite no current actual impact, it is foreseen that Rail freight eventually will be impacted, and delays will come into effect.

We also assess that China will apply a continued push to keep the passage open considering China's investments in the Silk Road, which Rail freight is an important part of.

We still anticipate that the current situation will trigger an immediate capacity constraint across transport modes. Especially airfreight with soaring freight rate levels as a result, including oil price increases and war risk surcharges.

It is estimated that alternative arrangements will need to be found for up to 25 % of the total Asia-Europe airfreight capacity.

All information is given to the best of our knowledge and is prone to change.

We encourage you to keep close contact with us for priority shipments, allowing constant dialogue on potential alternative routing options.

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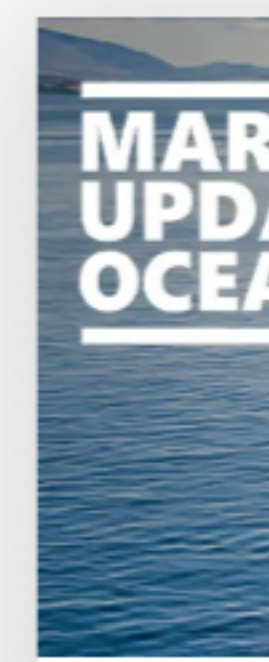


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