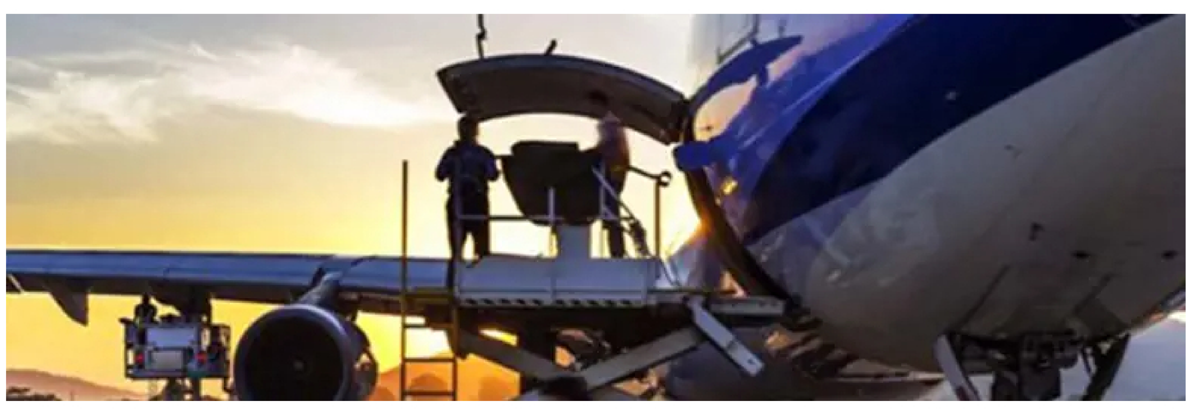
Advisory

Ukraine and Russia conflict - update #2

28 Feb, 2022 | Share



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Dear Valued Customer,

Following our advisory shared end last week, the conflict between Russia and Ukraine continues to develop and unfortunately escalate. The situation remains fluid and is changing by the hour. We wish to provide you with a fresh update on the situation with this advisory.

Overall we expect the current situation will trigger a certain level of capacity constraint across transport modes, as well as pressure on freight rate levels, including oil price increases.

The most awaited development is the potential closure of Russian airspace as a response from Russia to the EU sanctions imposed. For now, it is unclear if this will happen or not.

Another unknown factor is the imposed sanction of excluding Russia from the SWIFT payment system. It could ultimately lead to further impact if industry players grow concerned about getting payment for offered services.

We have made an overall overview of the transports modes below:

AIRFREIGHT

- All flights to/from Ukraine remain suspended
- The European Union has banned all Russian-owned and Russian-controlled aircrafts from entering EU airspace
- A number of airlines, including Lufthansa and KLM, have suspended flights to Russia for a preliminary period of 7 days and will neither utilize Russian airspace
- Several airlines have informed that they will take a more southern route to avoid Russian airspace, even though it is still possible to transit - flight time will increase as a result, adding up to one hour of flight time.
- As a result of anticipated further airspace closure, the first airlines, amongst other Finnair, have started to cancel scheduled flights

OCEAN FREIGHT

- All carriers have ceased service to/from Ukraine
- Carriers have informed of the suspension of demurrage and detention charges for shipments to/from Ukraine until 3rd March. Additionally, no extra cost will be charged for re-routing or change of destination
- Cargo onboard vessels will be 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
- Hapag Lloyd has announced a full booking stop to/from Russia, while most other carriers still accept bookings
- It remains unknown if the European Union will impose a ban on Russian-owned vessels destinating 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., Suez Canal incident last year, we have seen that trade lanes are inter-connected, leading to potential ripple effects throughout the network.

This situation comes on top of an already challenged ocean freight market, and we foresee it will lead to delays overall and keep up the pressure on rate levels.

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 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.

Since there is 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 passage open considering China investments in the Silk Road of which Rail freight is an important part of.

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

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

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