



Supply Chain Resilience Bulletin

September 2022

Supply Chain Task Force – DG GROW

Analysis of supply chains disruptions related to the Russian aggression of Ukraine

Supply Chains: Impact on Industrial Ecosystems

TEXTILES

- Situation in some areas of textile industry extremely challenging. Due to high energy prices producers of certain types of textile material have indicated that they might close production.

CONSTRUCTION

- In light of high energy prices private households are shifting to wood as an energy source, thus putting an extra strain on wood supply chain for industry
- Due to high energy costs output of certain products used in construction is decreasing.

AUTOMOTIVE

- Significant drop of machinery exports in the first half of the year. Expect this trend to continue steeply downward and potentially accelerate due of the halting of the temporary settlement of existing old contracts for the delivery of now sanctioned goods.



CHEMICALS

- Since August prices of natural gas prices in Europe have been exceeding the level of 200 EUR/MW.
- With the announcement by Gazprom of indefinite shutdown of Nord Stream on 1 September, sizeable number of EU ammonia production has gone offline as a result.

HORIZONTAL ISSUES

HIGH ENERGY COSTS

- High energy costs have impact over all industrial ecosystems. Energy intensive industries are faced with significant increase in their production costs making them non-profitable or operating at loss, thus forcing to shut down production.

Divestment of companies in Russia

Electrolux, the Swedish home appliance maker, has decided to **exit Russia** and sell its business to local management

Maersk announced that it will **sell its 30% share** in the Russian port operator Global Ports Investments **to complete their full exit from the Russian market**

On September 2, Finland's **Huhtamaki** (packaging manufacturer) announced it **had sold** its operations in Russia for **151 million euros**

Ericsson, the telecoms equipment firm, also announced it **will wind down its business activity in Russia** over the next couple of months

French energy giant **TotalEnergies** agreed to **sell off 49% share** stake of Russian gas

Evolution of grain export figures

- **Logistics costs** for grain exports now account for up to **70% of costs**, in normal times this was 15% of costs
- The black sea deal (using Odesa harbour) helps, grain prices have come down by up to USD 38 per tonne
- Grain exports continue to increase, but it is not expected that they will reach pre-war levels in the foreseeable future (pre-war it was 5 Mt per month)
- Most important focus should now be on helping to build the transport infrastructure which will also be important for the rebuilding of Ukraine

Latest figures on UA agricultural exports (incl. cereals, oilseeds and related products; *source: UA customs registers*)

- **April** 1.3 Mt
- **May** 2 Mt
- **June** 2.5 Mt
- **July** 2.8 Mt
- **August** 4.3 Mt - 2.6 Mt (61%) the Solidarity Lanes / 1.7 Mt (39%) the Black Sea
- **1-15 September 2022**: it is **estimated that 2.7 Mt** of cereals and oilseed/oil products were exported via Solidarity Lanes and the Black Sea combined.



Insuring the transport of goods to and from Ukraine via the Temporary State Aid Framework

Background

On 23 March 2022, the European Commission adopted a [Temporary Crisis Framework](#) to enable Member States to use the flexibility foreseen under State aid rules to support the economy in the context of Russia's invasion of Ukraine.

- [First amendment of the Temporary Crisis Framework](#) (OJ C 280, 21.7.2022, p. 1–13) - 20 July 2022
- [Informal consolidated version of the Temporary Crisis Framework](#) as amended on 20 July 2022

Amendment to the State aid Temporary Crisis Framework in the context of the Russian invasion of Ukraine (20th July 2022): the recent amendments include a provision that allows MS to propose aid for insurance or reinsurance regarding transport of goods to and from Ukraine. Member States will need to show that the insurance or reinsurance is not available at all or at rates which are substantially higher than before Russia's invasion of Ukraine.

The Temporary Crisis Framework complements the existing State aid toolbox with many other possibilities already available to Member States, such as measures providing compensation to companies for damages directly suffered due to exceptional circumstances, and measures outlined in the [Commission Communications on energy market developments](#).

The new framework enables Member States to ...

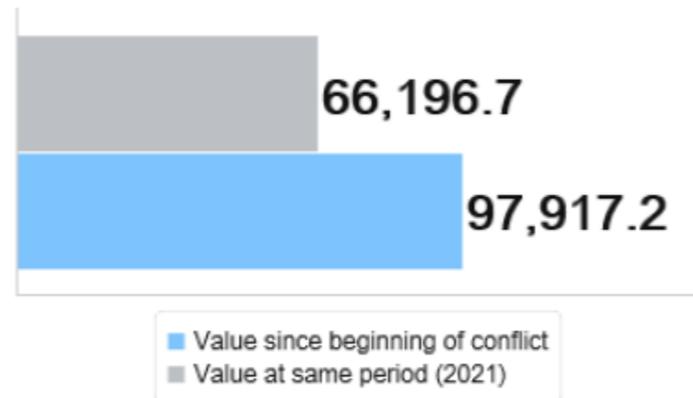
- (i) grant limited amounts of aid to companies affected by the current crisis or by the **related sanctions** and **countersanctions**;***
- (ii) ensure that sufficient liquidity remains available to businesses;*** and
- (iii) compensate companies for the additional costs incurred*** due to exceptionally high gas and electricity prices.

Import and Export: Russia

Exports to Russia:

- 54% reduction in value compared to January/February
- Yoy decline driven more by sanctioned (-56%) than non-sanctioned goods (-22%)

Total Value of imported goods from Russia (million €)



Value variation (%)

47.9%

Share of Russia in value

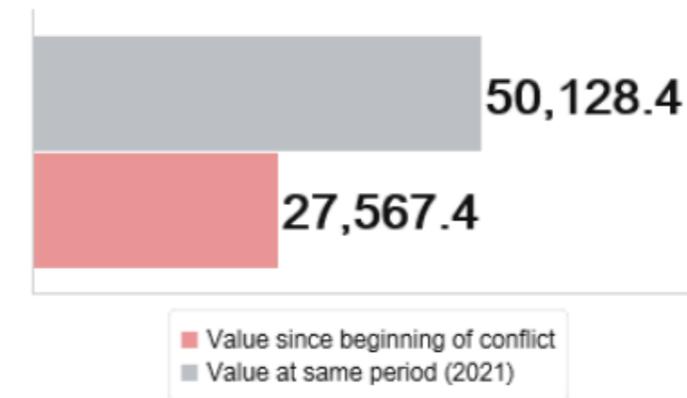
| Since conflict | At same period in 2021 |
|----------------|------------------------|
| 7.3% | 6.9% |

Source TAXUD 05/09/2022

Imports from Russia:

- Similar (53%) reduction in value compared to January/February, with about half from decrease in energy imports
- However, overall, RU gained almost €29,9bn more than in 2021 from EU imports

Total Value of exported goods to Russia (million €)



Value variation (%)

-45.0%

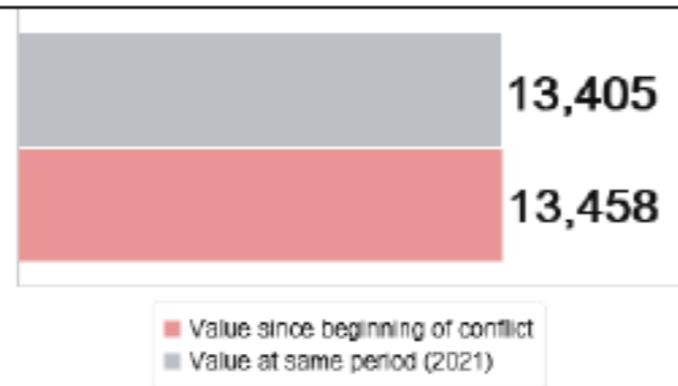
Share of Russia in value

| Since conflict | At same period in 2021 |
|----------------|------------------------|
| 2.1% | 4.4% |

Import and Export: Ukraine

Exports to UA. Recovered in recent weeks, following a big drop at the beginning of the conflict. 1/5th of all EU exports in last weeks are in vehicles, aircrafts and weapons.

Total Value of exported goods to Ukraine (million €)



Value variation (%)

0.4%

Share of Ukraine in value

Since conflict

1.0%

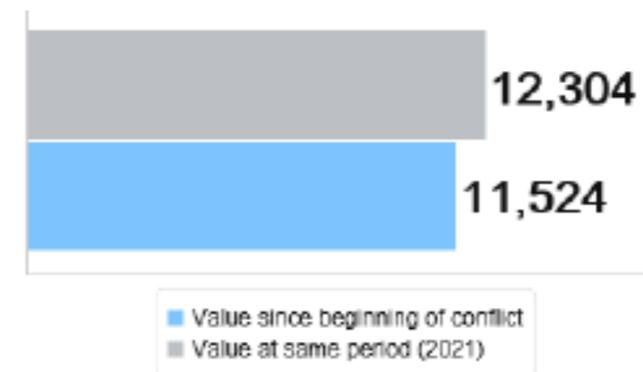
At same period in 2021

1.2%

Source TAXUD 05/09/2022

Imports from UA are still depressed with a 24% reduction in value compared to January/February. Most below pre-invasion levels with exception of "Ores" and "energy", which became the largest import item

Total Value of imported goods from Ukraine (million €)



Value variation (%)

-6.3%

Share of Ukraine in value

Since conflict

0.9%

At same period in 2021

1.3%

