THE IMPACT OF RUSSIA-UKRAINE CONFLICT ON ENERGY COMMODITIES PRICE

Compiled from various resources by PYC Research Team

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INTRODUCTION

Since 24 February 2022, the Russia-Ukraine conflict has disrupted global energy prices. Several energy commodity prices, such as gas, coal, and oil, hit the highest record due to the Russia-Ukraine conflict and caused instability in the global energy market.

On Friday, 19 March 2022, The International Energy Agency (IEA) issued a statement “emergency measures” in consequence of the situation of the Russian-Ukrainian conflict to reduce oil usage and ensure global energy prices are stable for a while.

ESCALATION OF THE RUSSIA-UKRAINE CONFLICT

Source: The Guardian, 2022

2008
Russia opposed Ukraine joining NATO

2014 NOVEMBER:
Viktor Yanukovych (4th President of Ukraine) refused cooperation with the European Union and move closer to Russia

2015
Yanukovych stepped down. Russia annexed Crimea, which is part of Ukraine

2021
Russia sent about 100,000 troops to the Ukraine-Russia border

2016
Minsk Agreement (Russia-Ukraine ceasefire)

2022

FEbruary 22:
Putin recognized the independence of Donetsk and Luhansk (two regions in Eastern Ukraine)

FEbruary 24:
Russia’s invasion of Ukraine
Russia has long opposed any attempts by Ukraine to move towards the EU and North Atlantic Treaty Organization (NATO).

The Russia-Ukraine conflict has increased in duration due to the involvement of other parties, especially the NATO led by the US.

One of Russia's often repeated demands was a guarantee that Ukraine never joins NATO, the alliance of 30 countries that has expanded eastwards since the end of the Cold War (1947–1991).

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**SANCTIONS ON RUSSIAN ENERGY PROJECTS**

On 22 February 2022, the German chancellor, Olaf Scholz, stopped the certification process for the Nord Stream 2 gas pipeline in response to Russia’s invasion.

The Nord Stream 2 pipeline belongs to a Russian company called Gazprom. It was built to carry gas from Western Siberia to Lubmin in Northeast Germany, doubling the existing capacity of the Nord Stream 1 pipeline and keeping 26m German homes warm at an affordable price.

Nord Stream 2 is a major Russian-German energy project. This project was announced in 2015 with a total investment of USD 11bn (equivalent to £8.3bn).

Nord Stream 2, Europe’s most divisive energy project, bypassed the traditional gas transit nation of Ukraine by running along the bed of the Baltic Sea.
Russia plays a vital role as a gas supplier of 40% to the European Union (EU). In addition, Russia is also one of the exporting countries for coal commodities to the EU and several Asian countries.

Russia has some of the largest natural gas and oil reserves in Europe. The future of European development may rest on Russia's energy supply to the heart of the continent.

Geopolitically, the continuity of energy in the EU is dependent on Russia.

**Energy Commodities Price after Russian Invasion**

Source: PYC Data Center, 2022
Indonesia can take advantage of the G20 presidency for a diplomatic route to resolve the Russia-Ukraine conflict. Indonesia must remain neutral and non-aligned to mediate conflicts.

The Indonesian government must optimize natural gas and clean coal technology, which can be an alternative to LPG imports.

For the energy sector, Indonesia is currently still dependent on fossil fuels. With the uncertainty of energy commodity prices due to the Russia-Ukraine conflict, Indonesia can focus more on developing New and Renewable Energy.

Indonesia needs to quickly find a way to accelerate the development of its EV ecosystem in order to reduce fuel imports. Fiscal and non-fiscal incentives are the best way to make EVs price competitive with conventional vehicles.

The Indonesian government should take advantage of high oil prices to invite giant oil and gas companies to invest in Indonesia. Indonesia has large gas reserves such as the Natuna, Masela and Ambalat blocks that have not been optimized.

**ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>UK</td>
<td>United Kingdom</td>
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<tr>
<td>US</td>
<td>United States</td>
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<td>WTI</td>
<td>West Texas Intermediate</td>
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<tr>
<td>MMBTU</td>
<td>Million British Thermal Unit</td>
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<tr>
<td>RBOB</td>
<td>Reformulated Blendstock for Oxygenate Blending</td>
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