

The Global Impact of the Russia-Ukraine Crisis on Energy and Food Security

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Introduction:

The current Russia-Ukraine crisis exacerbated a multitude of issues in this increasingly globalized and interconnected world, particularly in terms of energy and food supply, when the world was still recovering from the COVID-19 outbreak-related supply chain disruptions. According to a report published by the European Parliament, along with many other notable threats, including energy instability, the Russian invasion in the Ukraine has exacerbated the existing food insecurity.¹ Since the second half of 2021, energy prices in the EU and worldwide have increased significantly. As a result of Russia's unwarranted and unjustifiable intervention against Ukraine, fuel prices have risen further, and there are also concerns about the EU's energy supply security. The most recent operational programming update from the World Food Programme (WFP) estimates that in 2022, 345 million people will be acutely food insecure or at a high risk of food insecurity in 82 countries with a WFP operational presence, implying an increase of 47 million acutely hungry people due to the ripple effects of the war in Ukraine in all its dimensions.²

Global Impact on Food crisis:

In terms of food, Russia and Ukraine are major agricultural actors, exporting roughly 12% of the world's food calories. They are important suppliers of fundamental agro-commodities like wheat, maize, and sunflower oil, and Russia is the leading exporter of fertilizers in the world. Multiple regions rely heavily on imports from these two nations for their basic food supplies. As a leading exporter of grain, Ukraine has witnessed a severe decline in its exports, resulting in significant food

¹ Caprile. A. et. al, (2022) "Russia's war on Ukraine: Impact on food security and EU response" European Parliamentary Research Service.

[https://www.europarl.europa.eu/RegData/etudes/ATAG/2022/729367/EPRS_ATAG\(2022\)729367_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2022/729367/EPRS_ATAG(2022)729367_EN.pdf)

² UN brief (August, 2022), "Global impact of war in Ukraine: UN GLOBAL CRISIS RESPONSE GROUP ON FOOD, ENERGY AND FINANCE" https://news.un.org/pages/wp-content/uploads/2022/08/GCRG_3rd-Brief_Aug3_2022_FINAL.pdf

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security concerns for millions of people throughout the world. With the most recent initiatives of the EU and the United Nations, exports are increasing and food costs are decreasing marginally. However, food costs remain above their levels in 2021, and the prognosis remains dismal. North Africa and the Middle East buy almost 50% of their cereals from Russia and Ukraine, whereas Eastern African countries import 72% of their cereals from Russia and 18% from Ukraine. Here, the European Commission report identified three factors that are simultaneously contributing to the war's impact on global food supply. A significant reduction in exports and production of essential commodities from both countries, caused by the war and not the economic sanctions imposed on Russia which will impact further in exacerbating the wheat shortage. Second, A global increase in the prices of food supplies and commodities required for agri-food production (fertilizers and energy), which had already reached record high prior to the war. And lastly, the international response to the above, which could either amplify the effects of the crisis.

Global Impact on Energy Crisis:

Similarly, Russia's invasion of Ukraine accelerated a global energy crisis for the energy industry. The invasion and ensuing Western sanctions added to the burden already placed on oil and gas supplies by the rapid economic recovery following the pandemic. The statistical numbers provide a clear image on The EU imports of energy. 90% of its natural gas needs come from Russia (41%), with the remainder mostly coming from Norway (24%), and Algeria (11%) making the EU as the world's largest importer of natural gas. The EU is also reliant on Russia for oil and coal imports: Russia accounts for 27% of oil imports and 46% of coal imports. The world's leading oil companies departed Russia and wrote off assets worth tens of billions of dollars. Governments invested billions of dollars to support large utilities such as Uniper of Germany. South Africa suffered its worst power cuts in history. Sri Lanka on the other hand, simply ran out of petrol due to a lack of foreign financial reserves. Since then, Western countries, including EU member states have considered and begun to implement a price cap on Russian oil, while Europe is debating a gas price cap and investing more

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extensively in liquefied natural gas (LNG) to satisfy energy needs.³ Despite the efforts, it is predicted that the energy crisis will lead to a significant effect on inflation impacting all sectors of the economy worldwide.

What does the future hold?

The beginning of the year has witnessed that natural gas and heating fuel prices have fallen as economic activity has slowed. However, individuals are still struggling and may continue to do so for some time as tight supply produces additional price shocks. Similarly, grain is once again leaving Ukrainian ports, fertilizer prices are dropping considerably and billions of dollars in relief has been mobilized. However, the world is still struggling with the largest food crisis in recent times, as Russia's war in Ukraine disrupts global agricultural systems that are already dealing with the effects of extreme weather and the pandemic. Although market conditions have improved in recent months, experts do not foresee immediate restoration. This entails extra suffering for disadvantaged communities already suffering from hunger. It also increases the risk of starvation and famine in nations such as Somalia, which is dealing with a "catastrophic" food situation, according to the UN. Therefore, it is accurate to assume that the chaos has not subsided. Major developed economies are bracing themselves for supply restrictions in 2023, if not for years beyond that. In the face of such scenarios and worldwide crises, it is commendable that Bangladesh has so far moderately preserved internal stability.

³ David Gaffen, (December 15, 2022), "How the Russia-Ukraine war accelerated a global energy crisis" Reuters. <https://www.reuters.com/business/energy/year-russia-turbocharged-global-energy-crisis-2022-12-13/>

Reference

1. Caprile. A. et. al, (2022) "Russia's war on Ukraine: Impact on food security and EU response" European Parliamentary Research Service.
2. UN brief (August, 2022), "Global impact of war in Ukraine:UN GLOBAL CRISIS RESPONSE GROUP ON FOOD, ENERGY AND FINANCE" https://news.un.org/pages/wp-content/uploads/2022/08/GCRG_3rd-Brief_Aug3_2022_FINAL.pdf
3. David Gaffen, (December 15, 2022), "How the Russia-Ukraine war accelerated a global energy crisis" Reuters. <https://www.reuters.com/business/energy/year-russia-turbocharged-global-energy-crisis-2022-12-13/>