Russia's war on Ukraine: Implications for EU transport

In response to Russia's unjustified invasion of Ukraine, the European Union has adopted unprecedented new sanctions. These included a ban of all Russian aircraft from its airspace, to which Russia reacted by banning all EU airlines from its skies. While the full weight of these decisions is only starting to be felt, the implications of the conflict for EU transport are much larger and include steep increases in fuel prices, interruptions to supply chains and the need to ensure the safe return of stranded drivers and seafarers, already problematic due to Covid-19.

State of play before the conflict

In reaction to Moscow's 2014 annexation of Crimea, the EU adopted its first sanctions against Russia. These remain in place and target Russian individuals and organisations, but also the country's strategic sectors of defence, energy and finance, without limiting transport connections.

In October 2021, the EU and Ukraine signed a common aviation area agreement, as a result of a process that started in 2005. It was to offer new opportunities for airlines and consumers (9.8 million passengers from the EU in 2019), based on common standards in aviation safety, security and air traffic management.

As one of the countries of the EU's Eastern Partnership, Ukraine has been included in EU efforts to improve transport links with the Union and among these countries. The EU's plans to extend its strategic transport infrastructure were prepared in 2018 by the European Commission and the World Bank and confirmed by the Eastern Partnership Summit in December 2021. The 39 projects in Ukraine amounting to about €4.5 billion covered all modes of transport and sought to support its trade with the EU, worth €43.3 billion in 2019.

Implications for EU transport

Aviation

Reacting to Moscow's new invasion of Ukraine on 24 February 2022, EU countries have adopted new sanctions. In the first set of sanctions of 25 February 2022, the EU banned the sale of aircraft, parts and equipment to Russian companies, including insurance and maintenance services. Two days later, the EU banned all Russian aircraft, including private jets, from its airspace. Russia responded by banning from its skies all EU airlines and the airlines of 36 countries that have adopted similar sanctions. Further airspace closures were adopted by Belarus (partial) and Moldova (full). With Ukrainian airspace closed, movements by air of roughly 3.3% of air passenger traffic in Europe have stopped, in addition to the passenger flights between Russia and Europe, which accounted for 5.7% of total European traffic in 2021.

Many flights have had to be cancelled or rerouted, with impacts mostly on Europe-Asia and Asia-North America connections. Bypassing Russian airspace lengthens flight times and increases fuel consumption. Following the invasion, the price of jet fuel increased to US$141 per barrel on 4 March, up 27% in one month. Expert estimates of costs for an extra hour of passenger flight time vary between €3 600 and €15 000, depending on the size of the aeroplane and the price of fuel, which makes some routes uneconomic or impractical. Re-routing may also necessitate a refuelling stop, if the path extends beyond the range of the aircraft. Air operators are evaluating which flights to continue operating and whether to pass on the costs to consumers through fuel surcharges. Air cargo rates have also increased, to 120% above their pre-crisis level by 7 March, and are continuing to rise. Sanctions and bans are expected to reduce flight capacity, especially between Europe and Asia, unless airlines in other parts of the world, such as the Middle East, fill the gap. Higher airfares could reduce demand for air travel.

According to analysts, Russian airlines have about 980 passenger jets in service, of which 777 are leased, mostly from companies based in Ireland. The sanctions have made it hard for Russian airlines to pay their lessors and also require that the existing lease contracts with Russian airlines be terminated by 28 March.
However, leasing companies fear for their assets, as the state-owned airline Aeroflot and carriers that it owns are not responding to requests for the return of aircraft once lease agreements are terminated.

**Rail**

In addition to extra train services run by Ukrainian Railways, rail companies in neighbouring countries are organising humanitarian trains to evacuate refugees from Ukraine and send humanitarian aid back into the country. Other rail companies are banding together to offer additional carriages on trains and make travel free for Ukrainians to reach refugees or join family members across the continent.

While Russian railways are targeted by EU sanctions, freight trains can still run through Russia, but they cannot stop there. Many logistics companies operating rail freight connections between China and the EU are avoiding transit through Russia for security reasons. Instead of the ‘main route’, which previously served half of all EU-bound rail freight traffic, they opt for the ‘middle corridor’ through Azerbaijan and Georgia to Istanbul, where the cargo is reloaded onto vessels bound for Trieste. Transit through Ukraine accounted for only 2% of the westbound container traffic volumes on the New Silk Route in 2021, but was on the rise, a fact recognised both by China and by Slovakia and Hungary, which were planning investments to develop the route through Ukraine.

**Road**

On 25 February, the International Road Transport Union (IRU) estimated that at least 12,000 truck drivers of many nationalities were stuck in Ukraine and the wider region, and urged the governments concerned to protect blocked truck drivers and prioritise their passage. By 4 March, with up to 5,000 drivers still stranded, the IRU called again on the Ukrainian authorities to ease the passage of drivers at border crossings. Many transport organisations have offered their buses, coaches and trucks to help transport refugees and essential goods. To facilitate this support, seven EU countries along major transport routes towards Ukraine exempted humanitarian transport from tolls and rules on professional driving time and rest time.

In December 2021, road transport operators warned that driver shortages, pandemic restrictions, increased demand and rising fuel prices were causing supply chain disruptions. Uncertain fuel prices and supply are likely to further increase road freight rates, already at record high levels before the invasion.

**Maritime**

To address the impacts of the situation in the Black Sea and the Sea of Azov on shipping and seafarers, the International Maritime Organization (IMO) called an extraordinary session of its Council for 10-11 March. Ukrainian and Russian seafarers make up 14.5% of the global shipping workforce and EU fleets rely on them heavily. Fearing the impact on crew changes, already stretched due to Covid-19, European ship owners urged EU regulators to guarantee seafarers’ mobility and their rights as essential workers. They also warned that the severe crew shortages, delayed salary payments and closed Ukrainian ports could disrupt supply chains. With several commercial ships hit in the conflict, operators were forced to divert vessels. Most large shipping companies, citing unpredictable operational impacts, have suspended shipments to and from Russia, but some also to Ukraine. Bunker fuel prices rose sharply across the globe following the invasion. Sanctions against Russia are complex and evolving. The companies targeted by EU sanctions include the Novorossiysk Commercial Sea Port and the United Shipbuilding Corporation. The UK, for its part, has banned Russian ships from its ports. It has been suggested, though, that as the UK ban is not accompanied by a blacklist, port operators are left with the complex task of identifying those ships, which requires the tracking of roughly 6,000 Russian-affiliated vessels, of which about 60% do not sail under a Russian flag.

**Renewed focus on military mobility**

In the longer term, the conflict will likely lead to increased military spending. In the Versailles declaration, adopted by the European Council on 11 March 2022, EU leaders pledged to accelerate the ongoing efforts to enhance military mobility throughout the EU. While this refers to the ability to deploy, train and supply armed forces across European territory, for transport it means enhancing some strategic infrastructure segments of its transport network to support their dual use for military and civilian purposes. About €1.7 billion in co-funding is earmarked for such projects in the EU’s long-term budget for 2021-2027.