Russia's war on Ukraine: Maritime logistics and connectivity

Ukraine is one of the world's largest producers of grains and oilseed, and – for the export of these products to Africa, the Middle East and Europe – heavily dependent on its maritime transport and ports, currently blocked because of the war. Ukraine and Russia together typically export nearly 12% of food calories globally. Before the war, Ukraine exported more than 90% of its agricultural products, around 6 million tons per month, via the Black Sea. Alternative routes by road and rail only provide for a partial solution, while free navigation in open sea is an international right of sovereign states.

Background

The closure of Ukrainian ports has caused serious disruption in European and other supply chains, and owing to lack of maritime logistics and connectivity, an international food crisis is looming. Russia's war on Ukraine has affected the maritime transport sector heavily, including its ports. With commercial ships hit in the conflict, operators have to redirect freight transport and divert vessels. Most large shipping companies, citing unpredictable operational impacts, have suspended shipments to and from Ukraine and Russia. Important shipping routes in the Black Sea – in particular, Odesa and the Sea of Azov – are blocked and occupied. At the start of the war, around 2,000 seafarers were stranded aboard 94 vessels in Ukrainian ports. These numbers have fallen slightly. According to the Atlantic Council, Russian naval ships have hit at least 10 commercial ships since Russia's assault. About 80 commercial ships have been blocked in the Black Sea and the Sea of Azov for months. Before the war, Ukrainian Black Sea ports accounted for up to 90% of the country's grain and oilseed exports, of which one third is destined to Europe, China and Africa. At the European Parliament’s Transport (TRAN) Committee meeting in May 2022, Ukrainian Minister of Infrastructure Oleksandr Kubrakov said that 70% of total exports from Ukraine are normally carried by sea. With supply chains heavily disrupted, re-routing of goods to road and rail will not suffice, given the volumes implicated. This situation exacerbates congestion at terminals, putting maritime logistics and connectivity, as well as maritime safety and security, at risk. The International Maritime Organization has called for safe maritime corridors, and the International Transport Forum has made a call for action to unblock trade routes and seaports in the Black Sea for international trade to resume. The United Nations is attempting to open a protected shipping lane in the Black Sea, avoiding an international food crisis. Meanwhile, Lithuanian Minister of Foreign Affairs, Gabrielius Landsbergis, proposed establishing a non-military international maritime coalition to break through the blockade of Ukrainian ports.

EU action

In response, the EU has adopted multiple sanctions against Russia. Companies targeted by EU sanctions include Novorossiysk Commercial Sea Port and the United Shipbuilding Corporation. The fifth EU sanctions package includes a ban on Russian-flagged vessels entering EU ports. Exemptions apply, for example for medical, food, energy, and humanitarian purposes. The European Council conclusions on the sixth sanctions package envisage a ban – with EU leaders having agreed on a partial ban – on most Russian oil imports (crude oil and petroleum products) arriving in the EU by sea by the end of 2022. This amounts to around two-thirds of imports from Russia, reaching up to 90% by the end of the year. EU operators will be banned from insuring and financing oil transport services, in particular through maritime routes, to third countries, after a six-month wind-down. This will mainly concern insurance companies from the EU and the United Kingdom. EU ports are facing the need to apply EU sanctions from the fifth and sixth packages against Russian-linked vessels. The situation could affect the forthcoming review of European maritime safety rules, not least regarding port state control, and the TEN-T review for improving connectivity with, inter alia, Ukraine. Russia has been suspended, until further notice from the Paris Memorandum of Understanding on port state control, which includes ports of 22 EU Member States. The European Sea Ports
Organisation stressed that Europe’s ports are crucial in keeping supply chains operational and setting up new alternative routes for Ukrainian exports. Ports are pivotal in safeguarding energy supplies and reducing energy-dependence from Russia. The European Parliament has welcomed, in particular, the third pillar of the fifth package of sanctions, calling on the EU to further tighten sanctions against the Russian maritime sector and to refuse entry to EU ports for ships that have docked in Russia on their way to the EU. In this respect, Parliament proposed that the European Maritime Safety Agency (EMSA) could play a role in providing a list of Russian vessels to be banned from EU ports, taking into account those that have reflagged or re-registered since February 2022. EMSA could provide guidance on the uniform application of sanctions, while maintaining a level playing field for EU ports. EMSA is also conducting flights over the Black Sea to enhance maritime surveillance. Parliament has also asked to refuse calls at EU ports to all ships, irrespective of who owns or operates them, if they also call at Russian ports along their route. It has welcomed the decision of several of the world’s largest shipping companies based in Europe to halt all cargo bookings to and from Russia. Ships wanting to make an EU port call will not be allowed to bunker fuel in Russian ports or from Russian bunkering ships at sea. To avoid further supply chain delays, governments should ensure sufficient staff and resources are available for these measures. A parliamentary question has also expressed concern over the impact of international shipping, logistics, supply chains, and fuel prices, in particular on freight rates in the maritime sector. The EU's plan for solidarity lanes as alternative logistics corridors, by road, rail and water, to export agricultural goods (e.g. grain, maize) from Ukraine, aims inter alia to unblock 20 million tons of foods in Odesa. The Commission presented its action plan to the TRAN committee in June. Its aim: to redirect 3 million tons of grain a month through new modal routes, such as the Danube, Constanta (Romania), and Polish, Baltic and Adriatic ports. According to the Commission, around 6 million tons have been exported up to now. Most recently, the EU has signed a truck deal with Ukraine and Moldova, to shift cargo from sea to road. This would sustain export flows and allow Ukraine to import necessary goods. At the June 2022 European Council meeting, Ukraine and Moldova, as Black Sea states, were granted EU candidate country status.

**Outlook**

With the Sea of Azov fully blocked by Russia – and Black Sea ports, including Odesa, not being operational for an indefinite period – Ukraine, the EU and UN are taking action to redirect trade flows and goods away from Ukrainian ports. Increasing the capacity of the Sulina channel connecting the Danube River with the Black Sea could be one option that would permit additional exports. Alternative transit through Danube Maritime Cluster ports could cover a part of global transport needs. Connections need to be made with ports such as Constanta, visited recently by the TRAN committee, and Varna (Bulgaria). Meanwhile, Turkey has forbidden access of all naval ships through its territorial waters, based on the Montreux Convention, and Ukraine has recently asked Turkey to take action over a Russian-flagged cargo ship carrying grain from Berdyansk port in the Sea of Azov. Bunker fuel prices have risen worldwide, over which Parliament has already expressed its concern. According to the UN Conference on Trade and Development (UNCTAD), the war in Ukraine is hindering trade and maritime logistics, in particular in the Black Sea region, leading to more global vessel demand and higher costs of shipping globally (see Figure 1). The war and the pandemic have affected global shipping costs. Disruptions in logistics and port operations, the destruction of infrastructure, and trade restrictions have increased marine insurance costs and fuel prices. Shipping distances have increased, along with transit times and therefore costs.

**Figure 1 – Rising shipping prices (daily vessel earnings, in US$/day)**

Data source: June 2022 UNCTAD report. The graph represents the ‘Clarksea index’, tracking vessel earnings across major shipping sectors.