

ENERGY MATTERS

Soundbite summaries of the energy news you need to know

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- Special Report: Russia's Invasion of Ukraine -

Ten things you should know

1. Russian troops have crossed over the border into Ukraine, and Russian planes and missile launchers are attacking Ukrainian cities and airports.
2. The attacks span much of the country, far beyond the northeastern border provinces (where there has been years of sporadic fighting between the two nations).
Insert below: map of Russian attacks in red.



3. Russian President Vladimir Putin described the invasion as “a special military operation” rather than a war.
4. Putin has warned other countries that interfering with the invasion would bring about “such consequences as you have never before experienced in your history.” Some analysts wonder whether that statement amounts to a threat to use nuclear weapons.
5. Ukraine’s president, Volodymyr Zelensky, has declared martial law and has asked people to remain at home and stay calm.
6. Ukrainian forces have shot down six Russian fighters and a helicopter, and for the time being, have slowed Russian advances on two major cities: Chernihiv, in the north near Belarus, and Kharkiv, in the northeast close to Russia’s border.

7. President Biden condemned the “unprovoked and unjustified” attack, calling it “a premeditated war that will bring a catastrophic loss of life and human suffering.” He will also announce “severe sanctions” against Russia.

8. Both Democrats and Republicans on Capitol Hill called for the US to support Ukraine; however, Republicans are split between Trump-style "America First" isolationists and more traditional hawkish internationalists/interventionists. Meanwhile, a few Democrats and some Republicans are calling the White House sanctions against Russia "weak and feckless leadership."

9. In an emergency session, NATO is trying to determine an appropriate response. (Note: Ukraine is not a member of NATO, but its growing closeness to the US and western Europe has angered Putin.)

10. China is trying to maintain a delicate balancing act, reiterating calls for diplomacy while also approving some imports/exports that have been prohibited by Western sanctions.

Why now?

Understanding the invasion in context

Timing: it’s all about energy.

To a great extent, the timing of Russia’s attack on Ukraine is directly related to the tight world energy market. From mid-2014 until the onset of the global pandemic in 2020, Russian gas sold for less than \$10 per million metric British thermal units, and sometimes less than \$5 (all USD). But the low prices of the 2010s discouraged investment in new supply, setting the conditions for higher prices in the 2020s. As the world economy began to recover from the pandemic, so did the price of gas. The price of Russian gas on spot markets surpassed \$10 per million metric BTUs in June 2021, then \$15, then \$20; it’s now about \$30.

The higher prices enabled Russia to build massive holdings of dollars, euros, and gold. Those holdings now exceed \$630 billion, an impressive stash for a country with a GDP of only \$1.5 trillion. Now, Russia’s power over its oil and gas customers is at a zenith—and its financial resources are enormous. Putin has been building to this moment for a long time.

We have arrived at an impasse. Russia could inflict real havoc on world energy markets if it chooses.

What we are reading...

Energy geopolitics and the invasion of Ukraine

- How a Ukraine Conflict Could Reshape Europe’s Reliance on Russia, [The New York Times](#)
- How to Beat Putin With Natural Gas, [The Wall Street Journal](#)
- Is Putin’s Ukraine invasion about fossil fuels?, [The Guardian](#)
- [Well-Oiled Diplomacy](#): Strategic Manipulation and Russia’s Energy Statecraft in Eurasia, by Adam N. Stulberg
- [The Quest](#), and [The New Map](#), both by Daniel Yergin
- [The Coming Energy Shock](#), by David Frum

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