Ukraine Update: Oil Hits 10-year High and Closes In on $120 a Barrel

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On incidents centering Ukraine, media reports said:

French President Emmanuel Macron thinks "the worst is yet to come" in Ukraine after talking with Russian President Vladimir Putin on Thursday.

A senior French official said Macron's warning came after the two leaders spoke for 90 minutes, which did not yield any diplomatic progress.

The official said Putin was determined to carry out the ongoing war in Ukraine until "the end."

Putin also told Macron that Russia's goals in Ukraine would be "fulfilled" and that the war was going "according to plan," Reuters reported, citing a statement issued by the Kremlin.

Oil Prices Surge To Highest Level Since 2014

Global oil prices soared and U.S. stocks sank Tuesday.

Stocks fell as investors tried to measure how the conflict would impact the global economy. The S&P 500 dropped roughly 68 points, or 1.6%, to close at 4,306. The Dow Jones Industrial Average lost nearly 598 points, or 1.8%, and the tech-heavy Nasdaq dropped 1.6%. The declines add to the market's losses after a two-month skid for the S&P 500.

The bigger moves came from the markets for oil, agricultural commodities and government bonds. Oil has been a key concern because Russia is one of the world's largest energy producers. The latest bump in prices increases pressure on persistently high inflation that threatens households around the world.

U.S. benchmark crude oil jumped 8% to $103.41 per barrel, reaching the highest price since 2014. Brent crude, the international standard, surged 7.1% to $104.97.

The crisis in Ukraine prompted an extraordinary meeting of the International Energy Agency's board, which resulted in all 31 member countries agreeing to release 60 million barrels of oil — half of which will come from the U.S.' Strategic Petroleum Reserve (SPR).

President Joe Biden dipped into the SPR in November 2021, releasing 50 million barrels of oil at the time to tamp down high gas prices facing American consumers.

> "Moving forward with the release reflects the magnitude of expected disruptions to global energy markets driven by sanctions on Russia," Clayton Allen, director, and Raad Alkadiri, managing director of energy, climate & resources at Eurasia Group said. "Disruptions will also highlight the importance of U.S. domestic production," the analysts said.

Europe remains highly exposed to Russia in some sectors, particularly energy," analysts with TD Securities said in a report. "As the West rushes to sanction Russia, Europe is likely to feel the hit the hardest. This poses a typical stagflationary shock, and growth is likely to be lower, and inflation higher, than otherwise."

Brent crude oil, the international benchmark, climbed to over $119 a barrel to a 10-year high on Thursday as the war in Ukraine continued to stoke supply concerns.

It briefly touched $119.30, its highest level since March 2012, before later retreating slightly meaning Brent has gained $20 in just a week since Russian troops pushed into Ukraine.

West Texas Intermediate was also trading above $115 on the day, its highest since 2008.

Earlier this week, the U.S., along with Japan and other major consumer nations, agreed to release 60 million barrels from their stockpiles in an attempt to stabilize global energy markets.

However, Russia's key role as an exporter of oil and gas is driving more chaos in energy markets, while the region's importance for other key commodities means panic is spreading through markets.

After the U.S. and Saudi Arabia, Russia is the third largest oil producer globally, and is also the world's largest natural gas exporter.

> "With Organisation of Petroleum Exporting Countries and its allies (OPEC+), refusing to respond to the sharp spike in oil prices by sticking to its 400,000 barrels per day increase in output in March and with the market unfazed by the IEA's global crude reserve release, the geopolitical tensions look set to push oil prices higher with Brent crude on track to breach $120 or even $125 as the next major resistance hurdles," Victoria Scholar, head of investment at Interactive Investor, said.

Russian deputy Prime Minister Alexander Novak, who attended the OPEC+ talks on Wednesday, said he hoped oil market volatility would ease and that Russian output was expected to reach pre-pandemic levels in May.

Benchmark European natural gas prices jumped as much as 20% to €198 per megawatt-hour on Thursday.

The Dutch April gas futures contract has gained more than 12% to €186 per megawatt hour, setting a new record, while the UK equivalent is also approaching the record high hit at the end of last year.

It is currently 8.3% higher at 426.9p per therm, not far from the all-time high of around 450p in December.

[UK drivers are now facing record petrol and diesel prices amid soaring oil prices]. February marked the fourth month of rising fuel prices with petrol and diesel both shooting up by £4.5p a liter to new record highs, according to RAC.

Energy analysts warn prices could even reach £1.60 a liter causing yet more pain for motorists with no end in sight.

> "February was undoubtedly a shocking month for drivers. A rise of 4.5p in any month is bad enough but when it takes pump prices to record levels, it's bound to hurt households across the UK," said RAC fuel spokesman Simon Williams.
>
> "Motorists are having to endure successive months of rising prices and, sadly, it doesn't look as though February will be the last."

'Not Our War': Gulf States Resist Pressure To Raise Oil Output

The oil-rich Gulf monarchies have so far resisted Western pressure to raise output, prioritizing their own strategic and economic interests.

The OPEC+, led by Riyadh and Moscow, failed Wednesday to respond to a call to produce more and faster, despite pressure on the Gulf states in particular.

The group argued that the "current volatility is not caused by changes in market fundamentals but by current geopolitical developments," according to a press release.

> "Gulf countries are testing their ability to have a strategic autonomy, to defend their own national interests," Hasan Alhasan, a Middle East specialist at the International Institute for Strategic Studies, told AFP.

The Gulf countries, which had suffered from declines in oil prices since 2014, now seem all the more reluctant to take immediate action as they benefit from the short-term price surge.

If the barrel stays above $100, this will mean that none of the six Gulf Cooperation Council countries will face a budget deficit by 2022, wrote researcher Karen Young of the Washington-based Arab Gulf States Institute.

Amena Baker, an analyst with Energy Intelligence, said that according to OPEC+ "there is no physical shortage of crude in the market.

> "The impact of the Western sanctions against Russia's hydrocarbon exports is still unknown," she told AFP.

Baker said the only two OPEC+ countries able to truly open the floodgates are Saudi Arabia and the United Arab Emirates, but that even they would be unable to make up for Russian exports.

> “Overall our calculations put spare capacity of OPEC+ at 2.5 million barrels per day and that’s much less than what Russia exports. Russia’s exports are closer to 4.8 million bpd,” she said.

However, producing countries are aware that high prices risk depressing the global economy and accelerating the energy transition away from fossil fuels, at a time of fragile post-Covid recovery.

> “What is most important for Saudi Arabia is oil price stability,” said Alhasan, who added that the kingdom counts on Russia’s cooperation in this.

The last time Saudi Arabia and Russia clashed over production quotas, it led to a price war and a collapse of prices, he recalled.

Baker agreed that “keeping Russia as part of OPEC+ is also seen as very important by member states … That’s the only way to ensure an effective market managing tool in the years to come.”

Alhasan said the pressure the U.S. has exerted on its close Gulf partners has been “limited” so far, adding that “we will see if the pressure will increase in the coming days”.

According to the analyst, the “Gulf countries have said: ‘This isn’t our war.’ A very similar message, by the way, to the one consistently sent by the U.S. to the Gulf states on Yemen over the past several years.”

Saudi Arabia and the UAE — close diplomatic and military partners of the United States — have intervened in Yemen since 2015 to support government forces against Huthi rebels, who are backed by Iran.

Riyadh and Abu Dhabi would like stepped-up support from Washington against the rebels, but the US has been reluctant to engage further in a conflict where all parties have been accused of war crimes.

The UAE hosts U.S. troops and has been a strategic partner to Washington for decades, but its ties with Russia have also been growing.

In its current role as holder of the UN Security Council’s rotating presidency, the UAE abstained last Friday from voting on a U.S.-Albanian draft resolution condemning Russia’s invasion of Ukraine.

US-UAE relations now face a “stress test”, said Yousef al-Otaiba, the Emirati ambassador to the U.S., but he voiced confidence that “we will get out of it and we will get to a better place”.

Volunteers Cross Polish Border Into Ukraine To Fight Russian Forces

Small groups of men were heading in the direction to fight the Russians.

Most appeared to be Ukrainian émigrés in their 20s and 30s, but some could also be heard speaking other languages. Many of the men had black tactical boots hanging from their duffle bags.

Judging by the license plates of the cars dropping them off at the crossing in this Polish border town, they had come from as far away as Italy and Germany.

Among those heading east into Ukraine was a man with a military bearing from Great Britain who identified himself only as Ian and said he was 62.

"I'm going to fight," Ian told NBC News correspondent Jay Gray.

Then Ian walked up to the Ukrainian border guards, who looked him over, checked his papers and sent him to the left to join the other hard-eyed men waiting for a bus bound for the battle against the Russians.

Ian and the others were answering the call that embattled Ukrainian President Volodymyr Zelenskyy posted on his website Sunday for "friends of peace and democracy" to join their new brigade, the International Legion of Territorial Defense of Ukraine, and help them fight the Russians.

Zelenskyy said Thursday that some 16,000 foreigners have already joined the brigade, a number NBC News could not immediately confirm.

In France, the Ukrainian Embassy has been actively recruiting former soldiers to join the fight, and it set up a Facebook page with information and paperwork they would need to fill out, The New York Times reported.

More than 1 million Ukrainians, mostly women and children, have fled in the eight days since the Russians invaded their country, and the pace at which civilians have been crossing the border into Poland has been accelerating as the fighting has grown fiercer.

An army of Polish volunteers backed by relief workers from other countries has set up refugee aid centers in nearby cities, like Przemysl, an ancient city of some 61,000 people.

From there, Ukrainian refugees have been bused to major Polish cities like Warsaw, Krakow and Gdansk, as well as to Germany, Austria and even Denmark.

There have been outbursts of anger from Ukrainians frustrated by the bureaucracy on both sides of the border. And there have been allegations of racism lodged by Africans and Asians who had been living in Ukraine and who say their escape was delayed by Ukrainian border guards.

Rather than marching across the border, most of the escapees boarded buses provided by Poland's national fire department on the Ukrainian side.

Russia Is Stopping Rocket Engine Sales To U.S., 'Let them fly on their broomsticks'

Russia has stopped selling rocket engines to the US in response to sanctions, Dmitry Rogozin, the head of Russian space agency Roscosmos said on Thursday, Reuters reported.

> "In a situation like this, we cannot supply the United States with our world's best rocket engines. Let them fly on something else, their broomsticks, I do not know what," Rogozin said on state-run TV.

Rogozin claimed that since the 1990s, Russia had delivered 122 RD-180 engines to the U.S., and 98 have been used. As part of the decision, Russia will stop servicing rocket engines, meaning that the 24 that are unused will be without the Russians' assistance.

On Thursday, Roscosmos also [announced](#) that it will no longer collaborate with Germany on research at the International Space Station.

Dollar's Weaponisation Threatens Its Global Dominance

The weaponisation of dollar-based global finance might pose long-term strategic and economic threats to the dominant position the US currency at present enjoys, according to an op-ed for The Hill by Vivekanand Jayakumar, an associate professor of economics at the University of Tampa in Florida.

He noted that the dollar-based global finance system, which has already been facing challenges from America's spending policies and trade deficits, is now facing a threat of a China-Russia economic and strategic partnership. Jayakumar explained that China has long sought to replace the dollar as the reserve currency and now, seeing how the western nations can voluntarily cut a nation's banks off SWIFT and slap them with sanctions, Beijing has all the more reason to promote renminbi and digital yuan abroad.

> "Recent moves by the West to weaponise dollar-based international finance may yet provide the necessary spur for China to speed up measures to reduce its reliance on the US dollar and create an alternate global financial payments system", Jayakumar wrote.

The professor noted that Beijing might grow cautious of the existing financial system and try to minimize its exposure to it, in case the situation around Taiwan – its breakaway province – escalates.

Jayakumar said that Beijing's push for spreading digital yuan and to create alternative payment systems are part of China's plan to deal with these potential issues. China's Belt-and-Road Initiative will, in turn, broaden the acceptance of the Chinese currency, the professor said. He sees Chinese President Xi Jinping's "inward-looking policies" and unwillingness to open its markets fully as the only barrier on this path (and the only hope for the US to maintain the dollar's dominance).

> "Any genuine moves to increase the global acceptance of the renminbi/digital yuan will require China to fully open its capital markets to foreigners. But such a step may not be in accordance with Xi's dual-circulation economic strategy," Jayakumar wrote.

The economist stressed that the dollar's position is already undermined by the expansion of the Fed's balance sheet, growing public debt and a "sizeable trade deficit" with China, which has grown over the past few years.

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