



PROJECT FOCUS EASTERN EUROPEAN PORTS

Counting the cost of conflict

European seaports scramble to adapt to a new geopolitical reality:

How the Russia-Ukraine war has impacted Eastern European ports

VLADISLAV VOROTNIKOV

The Ukraine conflict has become a black swan for the European economy and the biggest game-changer for the seaports in the continent in decades. However, it also let some market players discover the art of transforming a crisis into an opportunity.

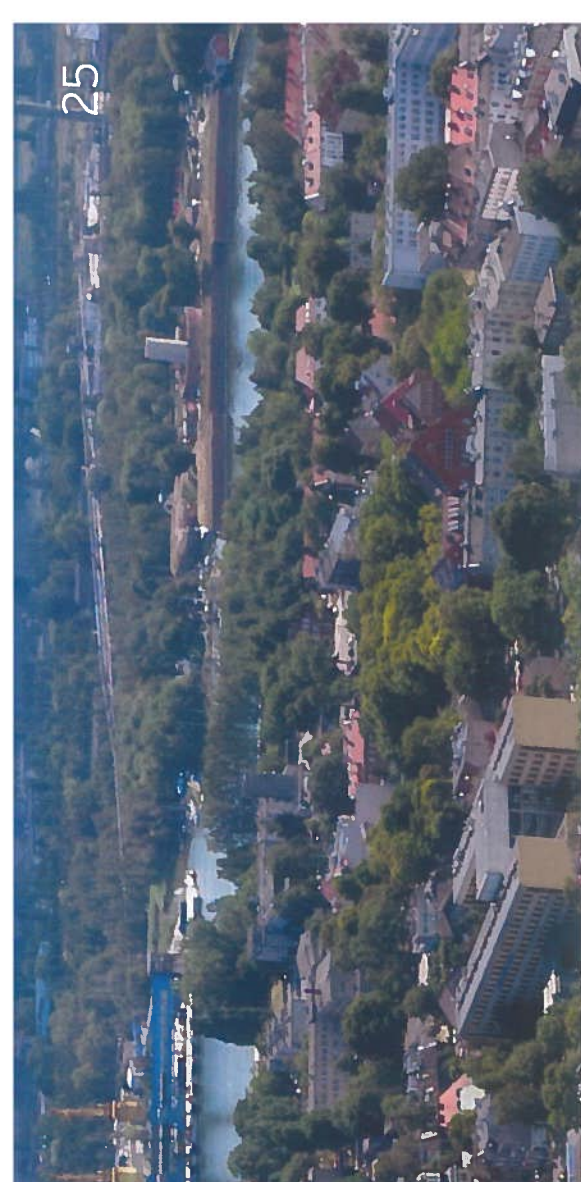
The war in Ukraine has had a profound impact on the European maritime sector, according to seaport executives.

"Russia's aggression against Ukraine and the related economic repercussions have disrupted supply chains and caused an [European] energy crisis," Aneta Urbanowicz, a spokesperson for Port of Gdansk, commented.

According to Urbanowicz, the Russian blockade of the Black Sea ports, Western sanctions on energy raw materials, and the decline in trade on the New Silk Road were among the key consequences of the conflict that forced radical changes in logistics.

Pictured: Ports across Europe have adapted rapidly in the wake of the crisis in Ukraine, which has had a significant impact on cargo flows across the continent

All photos: Port Gdansk/Tomasz Dresler





Pictured: Port of Gdansk in Poland saw an increase in transshipments of liquid fuels and coal after sanctions affected the trade in Russian raw materials

At the European Parliament's Transport Committee meeting in May 2022, Ukrainian Minister of Infrastructure Oleksandr Kubrakov said that 70% of total exports from Ukraine normally had been carried by sea. But the conflict in the Azov-Black Sea basin effectively put any civil maritime activity in the country's waters on hold.

With supply chains heavily disrupted, re-routing goods to road and rail clearly was insufficient. This situation exacerbated congestion at terminals, putting maritime logistics and connectivity, as well as maritime safety and security, at risk.

"The Ukrainian war has had a big impact on global trade," said Lennart Verstappen, corporate communication advisor at Port of Antwerp-Bruges.

In 2022, the conflict caused a decrease in Russia-related container traffic by 59%, according to the port. On the other hand, sanctions against Russia and the energy crisis considerably changed the energy landscape and flows in Europe, which translated into strong growth in bulk cargo, according to the port. For instance, dry bulk throughput climbed by 13.8% in 2022. Coal throughput, in particular, experienced a sharp 210% increase due to the substantial rise in demand for coal-powered generation, Verstappen noted.

He confirmed, however, that fertilisers declined by 18.3% due in part to sanctions on Russia and significantly higher fertiliser prices. The liquid bulk segment grew 10%, mainly due to a 61.3% increase in demand for LNG as an alternative to natural gas via pipelines from Russia.

"Of course, there have been changes in cargo flows. Much of the Russian cargo volumes were exported through Baltic ports. On the other side, we see ports such as the Dutch-Flemish North Sea Port where an important share of cargo was also Russia- or

Ukraine-related," said Isabelle Ryckbost, ESPO secretary general.

It would be wrong to say that all European seaports felt the sting of the Ukrainian crisis as one, noted Ryckbost. While some ports clearly saw their business hurt, others were not affected or even benefited from the change in cargo flows.

"The picture is different for every port. For instance, North Sea Port used to have a lot of business with Russia and Ukraine, so they lost this business, but successfully tried to compensate with cargo from other regions," Ryckbost said.

"European seaports showed outstanding resilience, as even the ports that experienced a huge impact eventually managed to compensate for the losses with new clients and cargo volumes."

Meeting Europe's energy needs

According to Ryckbost, the European energy crisis was one of the key consequences of the Ukraine conflict. A high dependence on Russian fossil fuels put European energy security on the line. In the wake of sanctions, the urgent need for achieving greater energy independence from Russia came to the fore.

"On average, 40% of commodities handled by European ports are energy sources, so this is a segment of utmost importance for the industry," Ryckbost said.

Western efforts to wean itself off Russian fossil fuels, coupled with a blow to the Russia-to-Europe gas pipeline Nord Stream 2 in 2022, resulted in a dramatic drop in European natural gas pipeline imports.

In 2022, Europe was hit with an energy crunch, resulting in a nearly fivefold rise in electricity prices, which triggered a cost-of-living crisis across the trade bloc. In this context, seaports are faced with a challenge to help Europe meet its energy needs.

"European seaports heavily invested in LNG terminals," said Ryckbost, citing the Port of Barcelona as an example.

In Barcelona, the commissioning in February 2023 of the 5,000 m³ capacity Haugesund Knutsen from the Knutsen Scale Gas company, commercially managed by Shell, made it possible to significantly increase bunkering services to vessels.

During 2023, the Port of Barcelona performed 199 LNG bunkering operations for ships, for a total of 143,000 m³, which is twice that of the last reference year, 2021.

Many other European ports have also experienced a surge in imports of energy sources.

Due to sanctions on Russian raw materials, the Port of Gdansk achieved record transshipments of liquid fuels and coal. In 2022, liquid fuels reached 25 million tons, an increase of 36% compared to 2021.

"Before the war, coal arrived in Poland by train from across the eastern border. This route was closed after Russia's aggression against Ukraine and the sanctions that covered Russian raw materials," Urbanowicz added.

Naftoport, which is the only offshore crude oil transshipment terminal in Poland as well as one of the largest transshipment terminals on the Baltic Sea, has become a key company that ensures the diversification of crude oil supplies to Poland. An even further increase was recorded in 2023, as transshipments of crude oil and oil products increased by 47% to 37.6 million tons.

"The Naftoport terminal now forms an oil hub for the region. In fact, the refining needs of both Poland and our closest neighbours are secured thanks to the Gdansk fuel terminal. A part of this cargo also involves deliveries to German refineries," Urbanowicz added.

Fight for calories

A lack of Ukrainian grain on the global market was another important consequence of the unfortunate events happening in Poland.

"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 tonnes per month, via the Black Sea. Alternative routes by road and rail only provide a partial solution," the European Parliament warned in a 2022 statement.

Urbanowicz noted that Polish ports took on the burden of accepting Ukrainian cargoes.

"The [European] ports in the Black Sea, like the port of Constanta, in Romania, have been performing quite well in the past few years since they are the only viable way to export Ukrainian agricultural commodities," Ryckbost said, adding that everything comes with a price, and the European Black Sea ports saw a slump in tourism-related traffic, which is yet to bounce back.

In March 2024, the Romanian government gave a green light for a significant infrastructure project aimed at enhancing the southern sector of Constanta Port on the Black Sea.

Transport Minister Sorin Grindeanu revealed that the project is estimated to cost a total of around €1.12 billion (US\$1.22 billion)

Pictured: DCT Gdansk is the largest container terminal in the Baltic Sea in terms of its cargo-handling volumes

in the development of new terminals, access roads and utilities in the region. Although the official doesn't attribute this directly to the rise in Ukrainian cargo volumes, this factor certainly played its role.

The Port of Gdansk was one of the European seaports to react quickly to the changes in the supply chains. According to Urbanowicz, the port had to urgently prepare additional storage and warehousing space to handle the growing cargo volumes, including grains, iron ore, steel products and sunflower oil as well as other Ukrainian exports.

"Furthermore, since around 70% of the grain transport to the Port of Gdansk is handled by truck, we made additional buffer points for them. There are currently approximately 1,000 parking spaces," Urbanowicz said.

"We handled nearly 81 million tons, which is 19% more than in 2022 when it was 68.2 million tons."

Ryckbost agreed that the Polish ports had quite a good year, also indicating that some Western ports saw solid numbers last year. In Western Europe, for example, there was a surge in cruise traffic, possibly related to security problems in the Black Sea.

"These things are all really interconnected," Ryckbost noted.

A turbulent world

According to Ryckbost, the Ukrainian conflict can be a harbinger of even bigger challenges as the world gets more divided and turbulent. The Red Sea crisis, which also took a toll on some European seaport operations since 2023, showed how fragile the existing trade flows could be.

"There are a lot of potential game-changers on the table,"

Ryckbost said, voicing concerns, among other things, about the impact of the US Inflation Reduction Act, which lures substantial investments to the country and, from a certain angle, can be perceived as a risk factor for energy-intensive European businesses.

"This indirectly can also lead to some changes in cargo volumes going through the European ports," Ryckbost added.

The global geopolitical situation is an increasingly significant factor that affects European seaports.

"For years, Europe has been looking into ways to facilitate trade between the countries, such as lifting administrative barriers and signing free trade agreements, but what we see now is that the world becomes more polarised instead," said Ryckbost. ■

