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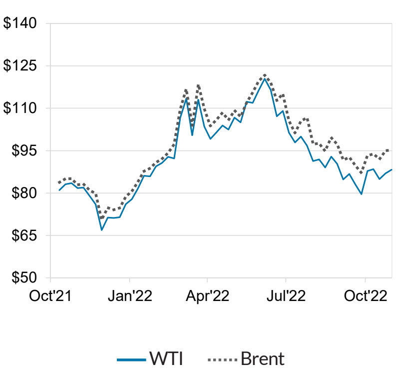


*Source: CME, ICE*

THE BIG PICTURE

# Same World, Different Planets

- *Consumers and producers are drawing radically different lessons from today's energy crisis.*
- *These clashing energy narratives are roiling coherent energy transition policymaking as delegates head to next week's COP27 climate talks in Egypt.*
- *Differences over Russia appear to have melted into producer-consumer debates on the energy transition and market management — further negatively impacting relations.*

Producers and consumers might as well be on different planets when it comes to identifying causes of the energy crisis, how to best address it, and the longer-term impact on energy demand. Both sides are doubling down on old arguments. For OECD energy watchdog the International Energy Agency (IEA), the crisis is accelerating the clean energy transition. Global oil demand in all three scenarios in the IEA's latest *World Energy Outlook* (WEO) published last week is down compared to last year's edition of the WEO. By contrast, 2045 oil demand in Opec's Reference Case scenario in its *World Oil Outlook* (WOO), published this week, was 109.8 million barrels per day, up 1.6 million b/d on WOO 2021.

## WOO vs. WEO

For Opec, this is a crisis born of bad policy and wilful myopia over the consequences of fast-tracking the transition. Surging overall demand for energy, and to a lesser extent the need to move away from coal, means oil demand will continue to rise to 2045. And this requires massive investment — some $12.1 trillion through 2045 into oil and gas, Opec insists.

Investment is absolutely critical, Mideast producers say. "If we zero out hydrocarbon investment, due to natural decline we would lose 5 million b/d of oil each year from current supplies," warned Sultan al-Jaber, CEO of state-owned Abu Dhabi National Oil Co. and United Arab Emirates minister of industry. "This would make the shocks we have experienced this year feel like a minor tremor," he told attendees at this year's Adipec conference in Abu Dhabi.

Since the publication of its *Net Zero by 2050 report* last year, the IEA has become a lightning rod for producer frustration for what Saudi Energy Minister Abdulaziz bin Salman famously slammed as "La La Land" energy policies. These policies, producers claim, have contributed to current high prices.

Recent producer-consumer differences over Opec-plus supply policy have exacerbated the ideological divide over the energy transition. The IEA invested considerable energy rebutting these producer arguments in the WEO. Russia's invasion of Ukraine is primarily to blame for the current crisis, the IEA argues. The WEO's first two chapters are essentially devoted to countering narratives that the transition to clean energy is in any way at fault. Regions with a high level of renewables adoption are enjoying on average lower energy prices currently, it notes.

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## 'Historic' Inflection Point

"The economic arguments in favor of cost-competitive and affordable clean technologies are now stronger — and so too is the energy security case," the WEO argues. "This alignment of economic, climate and security priorities has already started to move the dial."

Government responses to the crisis, including the US' $370 billion Inflation Reduction Act and Europe's REPowerEU initiative to wean itself off Russian fossil fuels, meant this was "a turning point in the history of energy," IEA chief Fatih Birol told reporters at the WEO launch.

For the first time, demand for all fossil fuels in the IEA's no-change Stated Policies scenario peaks, declining from the mid-2020s. The 24 million b/d oil demand figure in the 2050 Net-Zero scenario that so infuriated producers last year is now 22.8 million b/d. And the WEO is relatively kind to oil compared to its outlooks for both Russia and gas.

The unprecedented Ukraine-induced price shocks of the last year have "damaged confidence in [gas'] reliability and put a major dent in the idea of it serving as a transition fuel," the report concluded. In its Stated Policies scenario, 2050 natural gas demand is 750 billion cubic meters lower than in WEO 2021.

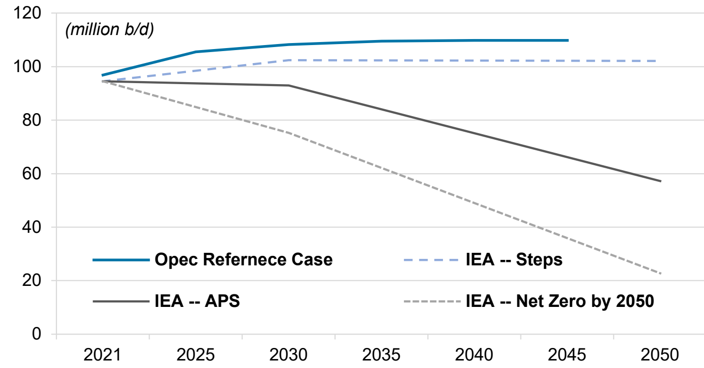
And Russia's invasion of Ukraine was a massive act of self-harm, severing both physical trade and trust with its main trading partner, the EU, the IEA argues. "Russian fossil fuel exports never return — in any of our scenarios — to the levels seen in 2021, and its share of internationally traded oil and gas falls by half by 2030" in the Stated Policies scenario.

## Thaw?

Much depends on Opec-plus' decision at its December meeting, but it could be that last month saw producer-consumer relations hit a low. At Adipec, US Energy Envoy Amos Hochstein advocated for more investment in oil and gas. Also in Abu Dhabi, the US and the UAE signed an agreement to spend $100 billion to create some 100 gigawatts of new renewables capacity globally, although the deal was long in the works.

In the wake of the Opec-plus' recent 2 million b/d cut decision, Washington warned of "consequences." Its options are limited. Today, the last thing the US needs is more enemies. And its Mideast Gulf relationships are both economically and strategically beneficial. On Riyadh's part, the resurgence of Saudi-Iranian tensions could underscore the US' critical security role.

OPEC VS. IEA WORLD OIL DEMAND OUTLOOK




*Note*: Steps=Stated Policies Scenario, APS=Announced Pledges Scenario.
*Source: IEA World Energy Outlook 2022, Opec World Oil Outlook 2022.*

In the last few days, Riyadh has shared intelligence with the US pointing to an imminent Iranian attack on Saudi soil.

A massive turnaround in relations — or on supply policy — isn't expected. The US' top officials at Adipec, Hochstein and Brett McGurk, deputy assistant to the president, left the conference without getting any answers on what Opec-plus will do in December, Energy Intelligence understands. But an improvement in atmospherics is possible.

One area where producers and the IEA have been on the same page is the need to secure concrete pledges to help finance transition adaptation for developing countries (p4). But with recession looming it is hard to see the OECD widening the funding taps. This is set to remain a sore point in North-South relations.

The IEA sees it as half as expensive to cut emissions in the developing world relative to the developed world. But the primary impact of the Ukraine crisis has been to drive home to OECD consumers the vital importance of energy security, and as such they are likely to push for investment at home.

An exception to the OECD's inward gaze could well be North Africa and the East Mediterranean, which is emerging as a focus for EU climate diplomacy. In addition to having strong renewables potential, Europe needs to secure a modicum of prosperity in the region for reasons of migration.

These energy security concerns are also a major new structural policy driver. Already, the IEA has upgraded its estimates for 2022 renewables capacity growth — from 340 GW of new capacity just published in its September renewables report to 400 GW. Producers ignore it at their peril.

*Rafiq Latta, Nicosia*

POLICY

# Tankers in the Spotlight Ahead of EU Ban and Price Cap

*It's an understatement to say uncertainty surrounds how overall Russian crude exports will be affected by the EU bans on Russian crude imports and shipping and related services for all Russian crude, in tandem with the planned G7 price cap (which allows for G7 firms to provide tankers, insurance and financial services for Russian cargoes sold under the cap, to non-EU buyers). Both are set to take effect from Dec. 5. Moscow's position is that it will cut production rather than sell barrels under the price cap, and Russian oil companies say they are prepared for such a scenario. But the outlook may not be quite that stark. Disruptions inevitably lay ahead. But workarounds include making use of the so-called "dark fleet" that could see Russian oil exports disappear from view, as well as Moscow potentially turning an effective blind eye to selling on G7-linked shipping under the price cap — as long as those sales are to "friendly" countries.*

**• Setting the scene: Disruption ahead as shipping and insurance are hit.**

The EU import ban means Russia will need to find a new home for some 1.1 million-1.2 million barrels per day of its crude exports, Energy Intelligence estimates. Moscow sticking to its pledge not to sell any of its crude under the price cap would also rule out the use of the dominant Western tanker fleet and insurance services for any of its seaborne crude sales, currently 3 million-3.5 million b/d.

"There are so many questions around how this is going to be implemented. Shipping is key," says a trading source. Here, analyst calculations point to a shortfall of non-G7 vessels. Looking at Russia's 3.5 million b/d of seaborne crude exports, shipbroker Braemer said in an Oct. 21 note that "there appears to be a shortfall of 70 Aframaxes and 35 Suezmaxes to move the trade in its entirety." That translates to a shortfall of roughly 77 million barrels of shipping capacity. A recent JPMorgan report calculates a need for an additional 2.6 million b/d of shipping capacity to move Russian crude and products — assuming India and China provide vessels for Russia's oil trade. A proposed price cap on Russian products export is to take effect from Feb. 5.

Shifting trade flows multiply the scale of the potential disruption, and will add to costs. "With more vessels making longer voyages, the tanker market is set to get tighter," the trading source says. From Russia, the voyage to Asia takes up to six weeks instead of the one week to Europe, which itself will be seeking crude from farther afield to replace Russian volumes.

Likewise, paying for private insurance — if private insurers step in — would be costly but not prohibitive given the discounts Russian crude will attract, an Asia-based shipping analyst said. Within Russia, insurance — both sovereign and private — is seen as the biggest problem, including whether tanker owners will agree to Russian-provided insurance.

**• India and China can potentially absorb the bulk of displaced EU crude sales — tanker and insurance capacity permitting.**

India is now importing 900,000 b/d or more of Russian crude, making Russia its top supplier in October, compared to next to nothing before the Ukraine war. Indian officials have indicated that the country could absorb another 600,000 b/d — or around half the Russian crude currently flowing to the EU. Some Russian producers have started inking new half-year supply deals to India for the volumes that will be freed up under the EU embargo.

But while India is eager to take Russia's discounted oil, it is less keen to bear any risk associated with that trade. Russia is right now providing shipping and insurance. Asked whether Indian buyers may opt to use their own ships and insurance to lift Russian crude come the EU ban and price cap, Viktor Katona, head of crude analysis at Kpler, expressed doubt. "Honestly, I don't really see this happening yet as it would necessitate a higher appetite for risk." But turning away discounted crude is also a lost business opportunity, "so maybe with time ... this low-risk approach will change, but not now," Katona said.

State-owned Indian insurers rely on reinsurance from the General Insurance Corp. of India, which in turn depends on Europe and the US to hedge its own risk. That brings diplomacy into play, suggesting a cautious approach, unless India can mobilize its own reinsurance pool.

China's imports of Russian crude officially increased by around 140,000 b/d over the first nine months of this year, relative to the same period in 2021, to around 1.73 million b/d. But they may be closer to 2 million b/d, with some Russian crude believed to have entered China as Malaysian or Omani crude. China has the ability to absorb a significant proportion of Russian Urals backed out by the EU ban and has a substantial tanker fleet.

But China also imports sanctioned Venezuelan and Iranian oil at a discount, and, like India, wants to maintain substantial term contracts with the Mideast that are crucial for base supply and key for long-term relationships. Energy Intelligence sees China buying up to 200,000-300,000 b/d of additional Russian crude, contingent on demand growth and the government extending its product export allocations.

**• All eyes are on Russian and Chinese fleets.**

Russian majors are increasingly having to shoulder shipping and insurance when discussing delivery terms with customers. State-owned Sovkomlot had a fleet of 134 tankers with a deadweight of over 17.7 million tons but stopped providing any data on its fleet after Feb. 24. Rosneft has reportedly started using its Rosnefteflot subsidiary for chartering tankers for crude shipments. Litasco, Lukoil's trading arm, has its own fleet but details are scant.

Some Russian majors expect buyers such as China to help them with shipping. China's state Cosco is a major player, and Cosco tankers have been used to deliver East Siberia-Pacific Ocean crude. Cosco's latest list of ships, dated end-June, tallies to more than 100 very large crude carriers (VLCCs), Panamaxes and Aframaxes. Owned deadweight crude capacity was 19.10 million tons (around 140 million barrels) while chartered was 1.59 million tons (11.71 million bbl). Further, in the first eight months of this year, 21 VLCC sales — nearly half of all sales — were linked to Chinese companies.

Less clear is whether or when India might opt to use its own tankers, or continue to rely on Moscow — and Sovcomflot — to bear that risk. But State Shipping Corp. of India's tanker fleet is limited to just 18, and its vessels are also used to transport crude produced at home.

**• Dark fleets and a blind eye could help limit disruption — unless Moscow wants to send a message.**

China has a significant dark fleet that can carry sanctioned crude. One of the big (private) players owns 50 ships. At least half of these ships are VLCCs, the rest are Suezmaxes and Aframaxes — some used to carry Venezuelan and Iranian crude. Another Chinese company bought 13 vessels in August, some now shipping Urals to China. As of Oct. 25, shipping analytics firm Vortexa had tracked 40 unique tankers that have loaded Russian oil since March 2022 and previously carried Iranian crude.

Further, in practice, there may be some room for maneuver for Russia to sell under the price cap, depending on the customer. If India is buying below the price cap, possibly even on tankers tied to G7 countries, Moscow might decide to look the other way. Much could depend on bilateral negotiations, including the need (or not) for a price cap clause in contracts. As Braemer put it in its Oct. 21 note: "Should the price cap be set at an economically 'comfortable' level, we expect Russia will find it more beneficial to manage the optics of the trade at those prices instead of cutting back its production and exports for want of logistical capacity."

Should Moscow hold firm — perhaps even temporarily, to underscore its opposition to the price cap — Russian exports and production would take a hit, but with an upside to prices that would ease the pain. That would fit a pattern of Russian supply squeezes in reaction to tightening sanctions that has played out since the war started.

*Staff Reports*

POLICY

# Climate Finance to Feel the Heat at COP27

*This year's UN climate COP27 climate talks in Sharm el-Sheikh, Egypt, will be quite different from COP26 in Glasgow last year, or COP21 in Paris in 2015. Unlike those higher-profile events, there are no big deals or mandated deliverables on the agenda this year. Instead, the focus is on pivoting to delivering on previous agreements, while still trying to increase ambition. But for developing countries this presents a welcome opportunity to focus on issues, such as climate finance and compensation for loss and damage due to the climate crisis, which they complain have been overlooked thus far.*

**• There is growing anger from developing countries about rich donor countries' failure to deliver previously promised financial support to address climate change — and pressure, too, on developed countries to step up funding.**

At COP15 in Copenhagen in 2009, and again at COP21 in Paris in 2015, developed countries promised to mobilize $100 billion per year of climate finance by 2020. But they have yet to reach that threshold, with the OECD calculating that only around $83 billion was achieved by 2020 and still falls short.

With Western governments now facing increasing pressures of their own that will limit further allocation of public funds, the hope is that multilateral development banks (MBDs) could be help plug the gap. "It is time to act on redefining the multilateral development bank world," US Climate Envoy John Kerry said last week at an event hosted by the Council on Foreign Relations in Washington.

Kerry noted that there are proposals on the table that could unlock several hundreds of billions of dollars in additional MDB lending capacity without requiring new shareholder capital, without threatening their financial stability, and without risking credit ratings downgrades.

The EU similarly last week called on MDBs and other international financial institutions to further strengthen their efforts, while also noting that this could help support the scaled-up participation of private finance in providing climate funding for developing countries.

**• Synergies between public and private finance could be critical to boosting climate finance, with the current risk-return profiles of private financial institutions often making it difficult for developing countries to secure climate-related deals.**

In a pre-COP briefing this week, the University of Cambridge Institute for Sustainability Leadership suggests that a multilateral approach that sees public lenders offer guarantees to limit up-front risks offers an effective means of drawing private investors into the climate finance markets. Various initiatives currently under way to tackle this bottleneck include the use of "blended finance" vehicles.

Steven Guilbeault, Canada's minister of environment and climate change, and Jennifer Morgan, Germany's special envoy for International Climate Action, also see strong potential here too. In a climate finance progress report released last week, they pointed to the importance of mobilizing private finance, including by establishing public-private partnerships to de-risk and create enabling environments.

There is potential there to bring in "literally trillions of dollars" of private finance that would "alleviate the burdens" on developing countries, but also from developed countries that have an expectation to deliver finance, Wael Aboulmagd, Egyptian ambassador and special representative of the COP27 president, said last week at a Chatham House event.

**• The Just Energy Transition Partnership — agreed in Glasgow last year by South Africa and the US, UK, France, Germany and EU — could offer another means to boost climate funding.**

Described as one of the "successes" of COP26 by the French Institute of International Relations (IFRI), this aims to grant $8.5 billion in loans at preferential rates to South Africa over the next five years to help it transition out of coal and meet its climate commitments. A strategic investment plan to deliver this has been under development over the past couple of months and could be announced at Sharm el-Sheikh. Kerry has also indicated that similar deals might be struck with other countries such as Indonesia and Vietnam, while press reports from India suggest it could join too.

**• The question of a compensation mechanism for loss and damage caused by climate change could provide an early test for COP27, with developing countries demanding progress here.**

Losses in areas such as housing, infrastructure and communities could rise to $580 billion per year in 2030, according to IFRI. During COP26, a proposal to create a dedicated fund was not advanced, although a two-year dialogue on this issue was launched there.

Developing countries are now however pushing hard for a finance facility for loss and damage to be properly addressed at COP27. Their first priority is to have this included as an official agenda item in those talks, with Egypt having accepted a proposal from the G77 group of developing countries to make it a standing item in the talks. But this will need to be unanimously agreed by all countries at the outset of the negotiations.

"The COP27 presidency has done a lot of outreach and diplomacy to try to find a smooth landing for this. There's a lot of expectations," Kaveh Guilanpour, vice president of international strategies at the Center for Climate and Energy Solutions, said at a briefing this week. But while he expects that loss and damage will make the talks' agenda, he doesn't think that a new facility will be agreed to yet.

But COP27 will still need to show some progress here if it's to be seen as a success, according to Zainab Usman, director of the Africa Program at the Carnegie Endowment for International Peace in Washington. During a webinar this week, she noted that only "a couple of weeks ago, about 2 million people were displaced and more than half of Nigeria was flooded." And as these climate disasters become more intense, "it's going to bring to the fore the collective global failure to act," and people are "going to become more angry," Usman added.

*Ronan Kavanagh, London*

MACRO TRENDS

# Mideast Gulf Tries to Reclaim the Energy Narrative

- *With COP27 about to kick off in Egypt, Mideast Gulf oil producers are seeking to reclaim the energy narrative after being sidelined in Glasgow a year ago.*
- *Buoyed by the global energy crisis, producers are doubling down on their argument that the world will need all the solutions it can get to ensure an orderly low-carbon transition.*
- *New initiatives and projects meanwhile are aimed at helping position Gulf states as constructive participants in the intensifying battle against climate change.*

A year ago in Glasgow, Mideast Gulf oil producers were on the back foot. Despite net-zero pledges ahead of COP26, first by the United Arab Emirates and then by Saudi Arabia, the two Opec heavyweights, like other oil producers, were largely sidelined from last year's climate summit discussions. At this year's COP in Egypt, there can be little doubt that their voices will be louder.

Their argument that an orderly energy transition won't be achieved without striking a balance between climate change targets and a role for cleaner hydrocarbons has been bolstered by a global energy system in turmoil. Russia's war in Ukraine has sparked new and growing concerns about energy security — especially in Europe, and amid sustained high commodity prices.

"If this year has taught us anything, it taught us that energy security is the foundation of all progress — economic, social and climate progress," Sultan al-Jaber, the UAE's industry and advanced technology minister and CEO of Abu Dhabi National Oil Co. (Adnoc), told a crowded Adipec conference in Abu Dhabi this week.

Energy has become everybody's top priority, he added, as the global energy system faces "a perfect storm" brought about by years of underinvestment in oil and gas, and a market environment characterized by fragile global supply chains and complex, fragmented and polarized geopolitics. Faced with a rising population, al-Jaber said, the world would now need "all the solutions it can get," ranging from hydrocarbons to renewables and other existing and future energy sources including hydrogen.

## Hydrocarbon Energy System

Producers can take some comfort in what now appears to be broader acceptance that hydrocarbons are likely to feed large chunks of the global energy system for some time to come — although views on just how much still vary significantly (p1). "Our strategy at BP ... is to invest in hydrocarbons today because today's energy system is a hydrocarbon system and we're investing in that. Obviously, we're trying to produce those with the lowest possible emissions, and at the same time — not 'or' — invest in accelerating the energy transition," CEO Bernard Looney said in Abu Dhabi.

The position was echoed by US Envoy for Energy Security Amos Hochstein, who stressed the ongoing need for investments in increased hydrocarbons production and refining capacity. "And we need to do that at the same time that we are following on increased investments in the energy transition. They are not contradictory, they are just two different timelines," Hochstein said.

The tone at this year's Adipec represents a remarkable shift from last year's event, when hydrocarbon producers were on the defensive after COP26 in Glasgow. At the time, producers said Glasgow should have focused more on decarbonization and less on blaming fossil fuels. With the next two COP summits to be held in Egypt and the UAE, Gulf producers will be keen to steer the debate in that direction, while also being seen as constructive participants — rather than obstructors — in the global climate debate.

Toward that end, expect producers to point to their latest achievements on the transition. But they will want to showcase too that it is both necessary and possible to continue investing in the upstream in parallel — in the interest of global energy security. "We are keen to demonstrate that we can develop our resources with less emissions. That's why we have always said, we want this COP to be an implementation COP," Tarek el-Molla, energy minister of COP27 host Egypt, said at Adipec.

## Implementation in Focus

Skeptics question Gulf producers' commitment to net-zero targets given their keenness to maintain the value of their oil and gas resources for decades to come. But decarbonization efforts are gaining momentum in the region — from renewable energy projects, to both blue and green hydrogen and carbon capture and storage (CCS) — alongside steps to expand oil and gas output.

One example is the recently announced investment by Qatar's sovereign wealth fund, the Qatar Investment Authority (QIA), in RWE to help the German utility expand its renewable power operations in the US via the acquisition of the Con Edison Clean Energy Businesses. The deal is part of a growing energy relationship between Germany and Qatar as the former looks to LNG imports to replace Russian pipeline gas. State-run QatarEnergy is meanwhile pressing ahead with its giant North Field expansion program, which will produce lower-carbon LNG through the application of CCS, solarization of electric power and a range of technologies to reduce flaring and methane leaks.

Elsewhere in the Gulf, Saudi Aramco has announced that it will set up a $1.5 billion sustainability fund to invest globally in energy transition technologies, although that figure pales in comparison to net profits of $130 billion through the third quarter. At Adipec, Adnoc announced that it had set an upstream methane intensity target of 0.15% by 2025 — from an undisclosed figure at the moment — even as it increases oil and gas output to 5 million barrels per day by 2027, from about 4.3 million b/d now.

But the most eye-catching announcement of the recent months, also made this week, was that of a joint agreement between the US and the UAE to spend some $100 billion on installing 100 gigawatts of clean energy by 2035. Under the highly ambitious pact, the two countries will work together to prioritize commercial projects in developing countries, and provide technical and financial assistance. Combined, the initiatives give Gulf producers some leverage to try to steer the debate in global climate discussions.

*Oliver Klaus, Dubai*

CLOSING ARGUMENTS

# Haiti's Collapse, US' Security Lens

## Haiti: International Intervention Ahead?

The ongoing civil crisis in Haiti has reached the point where the Caribbean island nation has virtually been taken over by criminal gangs. The pretense of central governmental control has collapsed in the face of a wave of violence that has overwhelmed local law enforcement, prompting calls for an international military intervention to restore order. On Oct. 15, the US and Canada began delivering weapons to Haitian security forces. This was followed by the submission of a joint US-Mexico draft resolution in the UN Security Council calling for the "immediate deployment of a multinational rapid action force" into Haiti. To date, no nation has stepped up to lead such a force — and a key obstacle facing any international force is Haitians' total lack of trust in third-party interventions.

A 1991 coup led to the 1994 US military intervention that restored President Jean-Bertrand Aristide to power. Aristide was again removed from power in 2004, escorted off the island by US forces and sent into exile. A UN peacekeeping force was dispatched shortly thereafter. The UN experience in Haiti was marked by natural disasters that complicated its mission, along with numerous scandals that eroded public confidence in its work. In 2019 the Security Council terminated the UN peacekeeping mission in Haiti. The current government of Haiti, led by acting Prime Minister and President Ariel Henry, was installed in 2021 by the so-called "Core Group" comprising the US, EU, UN, and Organization of American States following the murder of President Jovenel Moise under circumstances that remain murky.

There is growing fatigue in the international community brought on by years of failed efforts to engender a modicum of political and economic stability in Haiti, and frustration that no amount of outside intervention seems to be able to fix its multitude of problems. The root of the Haitian crisis lays in a post-colonial system that is perceived by many in Haiti as empowering a political and economic elite out of touch with the needs of ordinary people. As things currently stand, no single nation or group of nations appears to be willing to tackle Haiti's crisis, with or without a UN mandate. Foreign intervention may have to wait until such time as the cost of intervention seems acceptable when compared to the price of doing nothing.

## United States: Preparing for Major Power Competition

Last month, the administration of US President Joe Biden released its 2022 National Security Strategy (NSS) document, a full-throated defense of what the Biden administration calls the "rules-based international order," a system of agreements and organizations put in place by the US after World War II that have served as the foundation of US global leadership since that time. The 2022 NSS singles out "autocrats" around the world who are "working overtime to undermine democracy," and in doing so defines a global competition that has become existential in nature.

The 2022 NSS sets out the nature of this competition in stark terms. "Democracies and autocracies are engaged in a contest to show which system of governance can best deliver for their people and the world." US goals in this competition are clear: "[W]e want a free, open, prosperous and secure international order," the NSS claims.

Standing in the way of the accomplishment of these goals are what the US calls the forces of autocracy, led by Russia and the People's Republic of China (PRC). "Russia poses an immediate threat to the free and open international system, recklessly flouting the basic laws of the international order today, as its brutal war of aggression against Ukraine has shown. The PRC, by contrast, is the only competitor with both the intent to reshape the international order and, increasingly, the economic, diplomatic, military and technological power to advance that objective."

Moscow and Beijing have embraced a competing world vision, announced on Feb. 4, 2022, when Russian President Vladimir Putin met with Chinese President Xi Jinping in Beijing, where the two leaders released a joint statement attacking the rules-based international order. Russia and China described that order as "rules elaborated in private by certain nations or blocs of nations" and said they would "resist attempts to substitute universally recognized formats and mechanisms that are consistent with international law" with such rules.

"We are now in the early years of a decisive decade for America and the world," the NSS declared. "The post-Cold War era is definitively over, and a competition is under way between the major powers to shape what comes next." The key to winning this competition, the strategic document declared, is US leadership: "The need for a strong and purposeful American role in the world has never been greater." Russia and China may have something to say about that. Notably, on China's part, indications from the 20th Congress of the Chinese Communist Party earlier this month are also that national security concerns are taking precedence over economic development.