

Weekly Forecast Monitor: July 5, 2024

The Weekly Forecast Monitor is a forward-looking assessment of geopolitical dynamics shaping our world. To get more in-depth analysis of these issues and learn more about analytical products from New Lines Institute – including simulations, training sessions, and forecast reports – contact us at analyticalproducts@newlinesinstitute.org and visit <https://newlinesinstitute.org/analytical-products/>.

Global Hotspots

The Global Hotspot Tracker examines the outlook for key geopolitical hotspots around the world.

Russia/Ukraine Conflict [Go to forecast reports](#)

Summary – The Russia-Ukraine conflict is trending toward military and hybrid escalation scenarios as Russia increased its military cooperation with China. Ukraine warned of blackouts from Russian attacks on energy infrastructure. Ukrainian President Volodymyr Zelenskyy reportedly rejected a cease-fire proposal.

FORECAST INDICATORS

Military escalation scenario

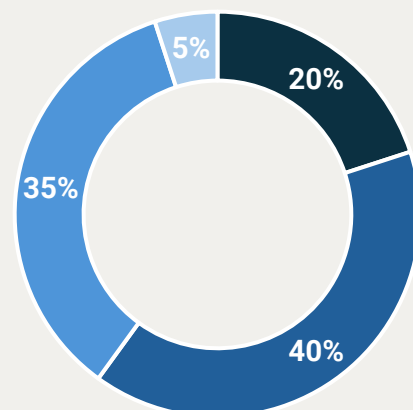
- Russian and Chinese companies are cooperating on the development of a new kamikaze drone, according to unnamed European officials. Russia and China also held joint military exercises focused on cross-border terrorism.
Risk level – medium
- Belarus deployed supplementary air defense forces to its border with Ukraine after the Belarusian Defense Ministry stated that Ukraine was building up its forces in its northern Zhytomor region.
Risk level – medium
- NATO will reportedly announce the provision of \$43 billion in military aid to Ukraine in 2025 at a summit July 9-11 in Washington.
Risk level – low

Hybrid escalation scenario

- Ukrainian electricity company Ukrenergo warned that Russian attacks on its infrastructure could lead to blackouts this month.
Risk level – low
- Russian President Vladimir Putin said stationing U.S. weapons systems in the Philippines could lead to Russian missile deployments abroad, prompting Philippine opposition leaders to warn that security ties with the U.S. are pushing a “renewed nuclear arms race.”
Risk level – low

Diplomatic de-escalation scenario

- Hungarian Prime Minister Viktor Orban met with Zelenskyy in Kyiv to promote an immediate cease-fire agreement and freezing of the current front lines, a proposal Zelenskyy reportedly rejected.
Opportunity level – low



- Status quo
(down 5 pts from start of 2024)
- Military escalation
(up 15 pts from start of 2024)
- Hybrid escalation
(down 5 pts from start of 2024)
- Diplomatic de-escalation
(down 5 pts from start of 2024)

Middle East [Go to forecast reports](#)

Summary – Tensions in the Middle East trended toward a military escalation scenario after 18 Israel Defense Forces (IDF) soldiers were injured in a Hezbollah drone attack. Israel and Hamas seem to be closing in on a cease-fire deal, as a member of Israel’s negotiation team says there’s a “real chance of implementation.” The Iranian presidential run-off between reformist candidate Masoud Pezeshkian and anti-West hardliner Saeed Jalili will set the tenor for relations between the Islamic republic and the West.

FORECAST INDICATORS

Military escalation scenario

- A Hezbollah drone attack injured 18 Israeli soldiers as tensions between Israel and the group remain high. Multiple IDF strikes in Lebanon included one that killed a senior Hezbollah field commander. Hezbollah responded by firing hundreds of rockets and drones into Israel.

Risk level – medium

- The IDF continued its offensive in northern Gaza and in Rafah, saying it killed dozens of gunmen in Gaza City’s Shejaiya neighborhood.

Risk level – medium

- Clashes in northern Syria along a Turkish-controlled border strip killed at least seven people.

Risk level – medium/high

- Islamic State militants ambushed pro-government militia forces in Syria, killing six militia members and two civilians.

Risk level – low

Hybrid escalation scenario

- Israel approved a land seizure in the Jordan Valley in the West Bank. It is the largest seizure since the 1993 Oslo Accords.

Risk level – medium

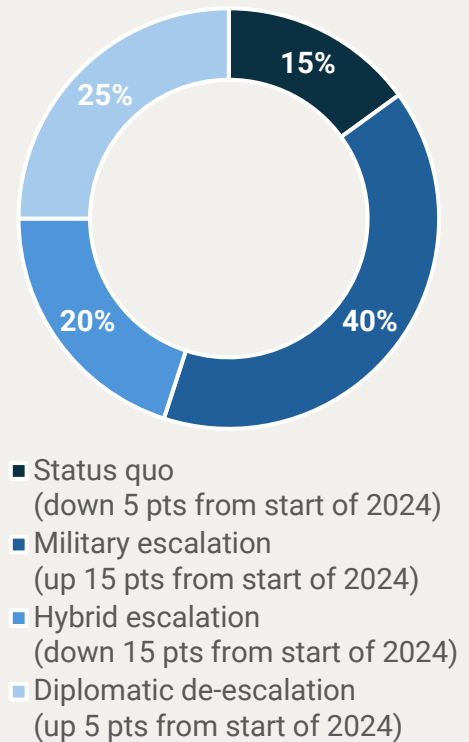
Diplomatic de-escalation scenario

- Cease-fire negotiations resumed after Hamas made “significant adjustments” to its position. A member of the Israel negotiation team said there’s “a real chance of implementation” regarding a deal. A Hamas delegation met with Hezbollah leader Hassan Nasrallah in Lebanon, and Israeli Prime Minister Benjamin Netanyahu, after a phone call with U.S. President Joe Biden, sent Mossad Director David Barnea to Doha to participate in talks.

Opportunity level - medium

- U.S. envoy Amos Hochstein met with French officials to work toward de-escalating tensions between Israel and Hezbollah, which maintains that it would end hostilities only if a cease-fire is reached in Gaza.

Opportunity level – low



U.S./China/Indo-Pacific [Go to forecast reports](#)

Summary – Tensions in the Indo-Pacific trended toward military and hybrid escalation scenarios, as Chinese military aircraft crossed the Taiwan Strait’s median line 175 times in June, the most in two years. North Korea conducted a missile test and said more are slated for later this month, while South Korea carried out live-fire drills along its border with the North. The U.S. added four firms to the Department of Commerce’s Entity List, citing their ties to the Chinese military. China and the Philippines agreed to continue diplomatic dialogues to de-escalate tensions in the South China Sea.

FORECAST INDICATORS

Military escalation scenario

- Chinese military aircraft crossed the median line in the Taiwan Strait 175 times in June, the most in the last two years, indicating an increase in China’s use of gray-zone tactics.

Risk level – medium

- North Korea launched a test of two ballistic missiles near its west coast. According to the South Korean military, the second missile may have exploded roughly 120 kilometers into its flight.

Risk level – medium

- South Korea resumed live-fire military exercises near its border with North Korea for the first time since it suspended their bilateral military agreement.

Risk level – medium

Hybrid escalation scenario

- The United States added four companies to the Department of Commerce’s Entity List, citing their connections to Chinese military training. Two are based in China, while the others are from the U.K. and South Africa.

Risk level – low

- Some companies began preparations to move Taiwanese employees out of China after China threatened the death penalty for Taiwanese separatists.

Risk level – low

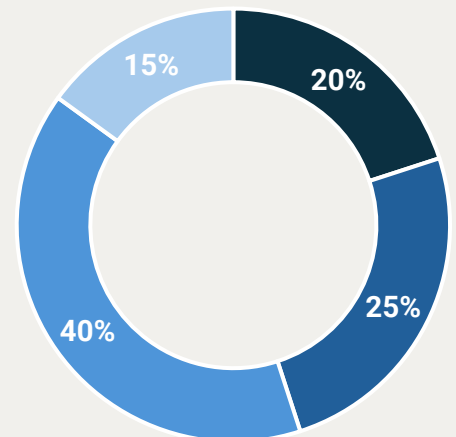
- China placed a buoy in waters over Japan’s southern continental shelf. Japan’s Chief Cabinet Secretary Yoshimasa Hayashi referred to the incident as “regrettable.”

Risk level – low

Diplomatic de-escalation scenario

- During a meeting in Manila, Chinese and Philippine officials agreed to de-escalate tensions in the South China Sea. They also agreed to continue diplomatic dialogues.

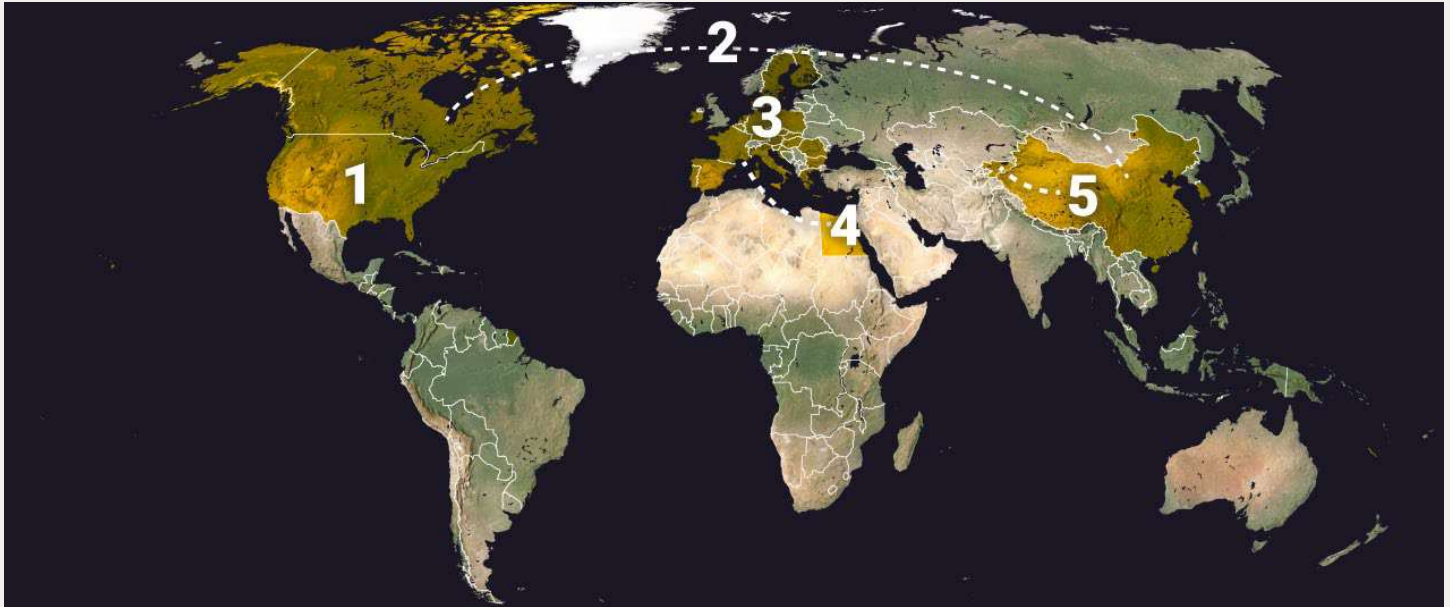
Opportunity level - medium



- Status quo
(down 20 pts from start of 2024)
- Military escalation
(down 5 pts from start of 2024)
- Hybrid escalation
(up 15 pts from start of 2024)
- Diplomatic de-escalation
(up 10 pts from start of 2024)

Global Connectivity

The Global Connectivity Tracker examines the sectoral impact of geopolitical dynamics on key themes like the global energy/climate transition, trade, and technology.



Energy/Climate

1. U.S.: Liquefied Natural Gas

What happened: Rising labor and construction costs are affecting major liquefied natural gas export projects in the U.S., possibly delaying LNG supplies to foreign markets.

- **Significance/Outlook:** Wage increases, labor shortages, and rising material costs over the previous three years have inflated construction costs for U.S. LNG export infrastructure projects. Certain U.S. LNG projects are in jeopardy as increasing wages strain construction budgets and have lowered expected profits for project developers. U.S. LNG developers are seeking international investors to share escalating costs. Shipments to international markets may be delayed if large-scale U.S. LNG export projects are postponed.

Risk level – low/medium

2. Canada/China: Electric Vehicles

What happened: Canada is considering imposing tariffs on electric vehicles (EVs) imported from China, following similar tariffs from the U.S. and EU.

- **Significance/Outlook:** China is seen as deliberately oversupplying the global EV market, harming producers in Canada and worldwide. In 2023, Vancouver's port witnessed a 460% increase in imports of all vehicles from China, threatening the local market. This increase is mainly due to Tesla's exports of Chinese-made cars to Canada. This prompted the Canadian government to open a 30-day public consultation period to examine Beijing's trade practices. Nonetheless, Canada must navigate this issue cautiously to avoid retaliation by its second-largest trading partner. There are also fear that tariffs could make EVs more expensive, hindering Canada's transition toward a low-carbon economy.

Risk level – low

3. EU: Electricity/Climate

What happened: So far in 2024, renewable and nuclear power generation have supplied almost three-quarters of the European Union's total electricity needs, statistics from the European electric utility trade group Eurelectric show.

- **Significance/Outlook:** The electricity industry in Europe has never before achieved such low levels of carbon emissions. Increased solar and wind capacity installations have created the greenest EU power mix ever, but decreased power demand in the first half of the year has also made it easier for Europe to forgo fossil fuel generation. However, investments in the electricity grid system have not kept pace with renewable energy capacity increases, meaning transmission bottlenecks could impede the energy transition. As such, it will be important for Europe to upgrade its distribution networks in response to the surge in renewable power.

Opportunity level – low/medium

4. EU/Egypt: Green Ammonia

What happened: The Egyptian government has signed development deals worth up to \$33 billion with British Petroleum, Masdar, Germany's DAI Infrastruktur, and others to increase green ammonia production.

- **Significance/Outlook:** Along with green hydrogen, green ammonia is crucial to the energy transition since it can assist in decarbonizing energy sectors that are notoriously difficult to decarbonize. Powering large-scale electrolyzers with renewable energy will produce green hydrogen without carbon emissions. A nearby renewable-powered ammonia synthesis facility will use this green hydrogen as feedstock to produce and export green ammonia. Egypt's green ammonia projects are a part of the country's ambitious plans to enhance its wind and solar resources. Egypt wants to boost solar, wind, and green hydrogen projects as its natural gas production declines.

Opportunity level – low/medium

5. Kyrgyzstan/China: Solar Power

What happened: Kyrgyzstan is collaborating with Chinese firms to construct solar power facilities aimed at enhancing its energy infrastructure.

- **Significance/Outlook:** The construction of the solar plants will take place at the Kara-Talaa site in the Issyk-Kul region in Kyrgyzstan with an expected capacity of 400 megawatts. In a recent visit by Kyrgyzstan's prime minister to China, the two sides also discussed upgrading the Bishkek Combined Heat and Power Plant and building the Datka-Kemin high-voltage transmission line to enhance the power networks in southern Kyrgyzstan. Other aspects of cooperation include technologies for electric vehicle charging and integrating associated services and equipment. Kyrgyzstan sees such cooperation as an opportunity to further develop its renewable energy sector.

Opportunity level – low

Key Stats of the Week

- So far in 2024, renewables accounted for 50.4% of the EU's electricity generation, with nuclear at 23.5%, and fossil fuels at 26.1%.
- Natural gas-fired power plants accounted for 13% of total generation, and coal-fired plants at a 9% share, the lowest percentages over the same time period for either fuel type up until now.
- A study by the European power trade group Eurelectric called for increasing investments to improve the bloc's transmission grid from \$33 billion euros (\$35.5 billion) annually in 2025 to 67 billion euros by 2050 to keep up with increasing demand and renewable generation.

Source: <https://electricity-data.eurelectric.org>