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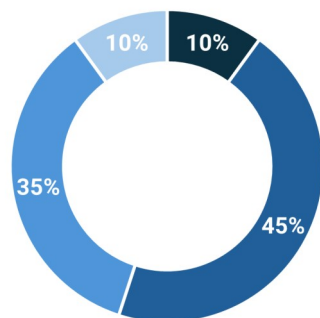
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Global Hotspots

The Global Hotspot Tracker examines the outlook for key geopolitical hotspots around the world. ([Go to the Global Connectivity Tracker](#))

Middle East

Summary – Tensions in the Middle East trended toward military and hybrid escalation scenarios. Israel and Hezbollah continued to exchange fire as U.S. military assets moved into the eastern Mediterranean. The Israel Defense Forces (IDF) continued operations in western Rafah, forcing some families to flee.



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

Military escalation scenario

A Hezbollah antitank guided missile injured two Israeli security team members in Metula as concerns of a full-scale war grow.

Risk level – high

The IDF continued its offensive in Gaza with airstrikes as ground forces neared the al-Mawasi humanitarian zone in Rafah. In Gaza City, the IDF ordered some neighborhoods to evacuate south.

Risk level – high

An IDF soldier was killed and others were injured during a raid in the Jenin refugee camp in the West Bank.

Risk level – medium

Hybrid escalation scenario

Israel's Supreme Court ruled the government must conscript ultra-Orthodox men, an issue that could lead to the collapse of Prime Minister Benjamin Netanyahu's governing coalition.

Risk level – medium/high

A suspected al-Houthi attack targeted a vessel 450 kilometers off the coast of Yemen, far outside the group's normal range.

Risk level – medium

Diplomatic de-escalation scenario

To move forward with Israel-Saudi Arabia normalization, Netanyahu will announce a new position on Palestinian statehood when he speaks in front of a joint session of the U.S. Congress in July

Opportunity level – low

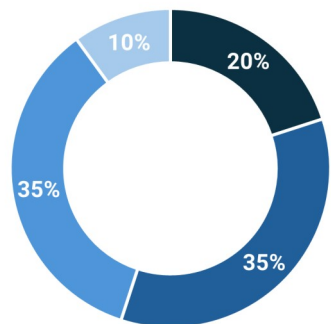
Israeli National Security Adviser Tzachi Hanegbi said a "day after" plan for northern Gaza will be implemented soon.

Opportunity level – low



Russia/Ukraine Conflict

Summary – The Russia-Ukraine conflict is trending toward military and hybrid escalation scenarios as Ukraine used U.S.-provided Army Tactical Missile System (ATACMS) missiles to target Crimea, prompting Russia to blame Washington for the attack. The EU passed sanctions against Russia’s liquefied natural gas (LNG) sector, while Ukraine and Moldova formally began negotiations to obtain EU membership. A coordinated militant attack in Russia’s republic of Dagestan prompted a security crackdown in the region.



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

Military escalation scenario

Russia blamed the U.S. for a Ukrainian attack in Crimea using ATACMS missiles that were recently provided by the U.S., with the Russian Foreign Ministry saying in a statement that “retaliatory measures will definitely follow.”

Risk level – medium

Russian Defense Minister Andrey Belousov ordered defense officials to prepare a response to U.S. drone flights over the Black Sea, warning that such flights risk a direct confrontation between Russia and NATO.

Risk level – medium

Hybrid escalation scenario

The EU adopted new sanctions against Russia that include restrictions against the Russian LNG sector for the first time.

Risk level – medium

Russia conducted missile and drone attacks against Ukrainian energy facilities, while Ukraine launched several drone attacks in western Russia, including one on a chemical research plant in Tver Oblast.

Risk level – low

Ukraine and Moldova formally opened negotiations to enter into the EU at a Tuesday ceremony in Luxembourg.

Risk level – low

Diplomatic de-escalation scenario



Russia and Ukraine conducted an exchange of 90 prisoners each in a deal mediated by the UAE.

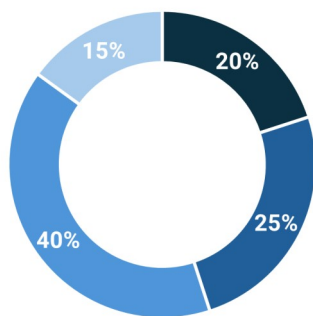
Opportunity level – low

Two advisers reportedly presented former President Donald Trump with a plan to end the war in Ukraine by stopping U.S. military aid to the country if it were to refuse to enter into diplomatic negotiations with Russia.

Opportunity level – low

U.S./China/Indo-Pacific

Summary – Tensions in the Indo-Pacific trended toward military and hybrid escalation scenarios. The South Korean military reported North Korea conducted a hypersonic missile test, but that the missile exploded after launch. The U.S., Japan, and South Korea conducted large scale, multidomain military exercises in East Asia. Canada announced it is considering imposing tariffs on Chinese-made electric vehicles (EVs). Taiwan warned its citizens to not travel to China.



- 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)

Military escalation scenario

North Korea conducted what it claims to be a successful ballistic missile test. The South Korean military reported a North Korea hypersonic missile exploded just after launch.

Risk level – medium

The U.S., Japan, and South Korea held their first large-scale multidomain military drills.

Risk level – medium

Hybrid escalation scenario

China threatened the death penalty for “die-hard” Taiwan separatists, causing Taiwan to warn its citizens against travel to China.

Risk level – medium

North Korea sent more balloons carrying trash over the border to South Korea.

Risk level – low/medium

Canada will start a 30-day consultation period to address Chinese EV overcapacity and will consider a tariff hike on Chinese-made EVs.

Risk level – low

China asked the U.N. to not consider a request by the Philippines to extend the country's continental shelf.

Risk level – low

Diplomatic de-escalation scenario

German Minister for Economic Affairs Robert Habeck, in his visit to China, said the EU was open to discussions related to the recent tariff hike on Chinese-made EVs. China suggested it may lower its existing tariffs on luxury cars, a German export, if the EU decided to lift the recent additional tariffs.

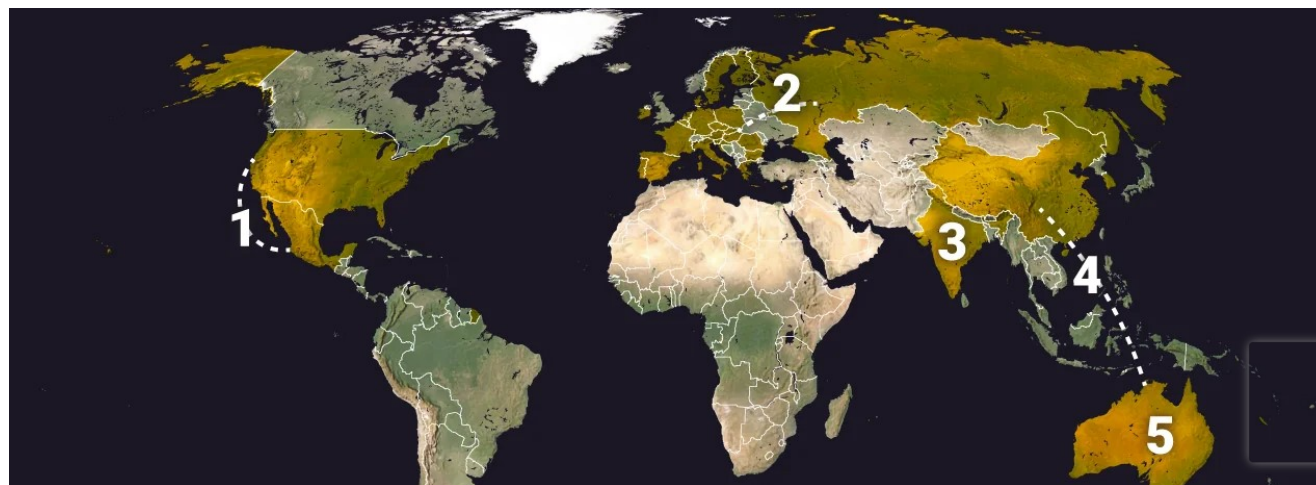
Opportunity level – medium

Philippine Foreign Affairs Secretary Enrique Manalo said the country was committed to developing confidence-building measures with China in the South China Sea.

Opportunity level – low

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. ([Go to the Global Hotspot Tracker](#))



Energy/Climate

1. U.S./Mexico: Energy

What happened: The discovery of a large geothermal energy source under the U.S.-Mexico border along the Rio Grande could lead to renewable energy development.

Significance/Outlook: The Bureau of Economic Geology at the University of Texas at Austin found that Presidio County, Texas, which borders Mexico, had geothermal development potential. Geothermal energy is a clean, sustainable energy source that can tap heat produced in the Earth's core to generate electricity. If the plant generates more electricity than is currently needed, the county could sell it to the grid or use it to attract new business.

Opportunity level – low

2. EU/Russia: Liquefied Natural Gas

What happened: The EU imposed additional sanctions on Russia, targeting its liquefied natural gas (LNG) sector for the first time.

Significance/Outlook: The EU will block Russian LNG refilling for transshipment to third countries, including ship-to-ship, ship-to-shore, and reloading operations, affecting only EU reexport to other countries. Russia will lose access to infrastructure from the European Union to optimize LNG shipping worldwide, resulting in higher costs. The EU also banned new investments and the supply of products, technology, and services for LNG projects like Arctic LNG 2 and Murmansk LNG to limit Russian LNG revenues. This restricts Russian LNG capacity growth. These LNG-specific measures aim to reduce Russia's energy income in response to its invasion of Ukraine.

Risk level – medium

3. India: Coal

What happened: India is set to add approximately 15.4 gigawatts of new coal-fired power capacity in 2024, the highest increase in nearly a decade.

Significance/Outlook: This decision is influenced by the Indian government's need to meet growing power demand and economic development plans. Despite significant investment in renewable energy, coal generation remains critical to ensuring a stable power supply and preventing blackouts, indicating high consumption, particularly during extreme weather conditions. This would also reduce India's reliance on imports and support capacity expansion in the country. However, burning more coal runs counter to India's carbon emissions goals.

Risk level – low

4. China/Australia: Critical Minerals

What happened: Chinese Premier Li Qiang completed a visit to Australia focusing on China's investment in critical minerals and clean energy.

Significance/Outlook: In Perth, Li visited Fortescue's clean energy research facility, which investigates technologies for hydrogen, ammonia, and battery power, and Tianqi Lithium Energy Australia's processing plant, which produces battery-grade lithium hydroxide for electric vehicles. China was mainly interested in exploring Fortescue's green iron ore technology. This visit highlights China's strategic aim to secure critical minerals vital for renewable energy. Despite sharing U.S. concerns over China's global dominance in the critical minerals sector, Australia stressed the importance of foreign investments to align with its national interests.

Opportunity level – low

5. Australia: Natural Gas

What happened: Supply woes and increasing demand put Australia's East Coast at risk of natural gas shortages later this decade.

Significance/Outlook: This issue is driven by the rapid depletion of the Iona underground gas storage inventory, the largest provider of storage services to Australia's East Coast gas market. The shortages resulted from disruptions at Longford plants, coupled with increased demand for gas-fired power due to cold weather and low wind energy generation. The government acknowledges the vital role natural gas will play in transitioning to a net-zero economy by 2050 and has committed to support gas exploration and current natural gas-powered generation. As part of this strategy, officials have introduced a gas substitution plan, which includes incentives for households to switch from gas to efficient electric appliances. However, due to the East Coast's heavy dependence on gas, the transition will take years.

Risk level – low

Key Stats of the Week

EU transshipments of Russian LNG rose 7% in the first five months of 2024 and accounted for 21% of Russian LNG flowing to the EU last year.

Russia supplied 15% of EU gas imports last year, down from 24% in 2022 and 45% before the war.

Russian gas imports fell 71% since 2021, but European companies purchased 19.47 billion cubic meters of LNG last year.

In 2023, Russia supplied 19.47 billion cubic meters (bcm) of LNG to Europe, behind only the United States (76.87 bcm) and Qatar (20.18 billion cubic meters).

Source: [Oilprice.com](https://oilprice.com)





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