

# Conflict Update # 245

October 28<sup>th</sup>, 2022

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## Conflict Assessment

**Russian losses** – 69,700 (480) soldiers killed, 2,640 (9) enemy tanks, 5,378 (+14) armored combat vehicles, 1,698 (+8) artillery systems, 379 (+0) MLRS systems, 192 (+0) air defense systems, 272 (+1) warplanes, 251 (+2) helicopters, 1,401 (+3) UAVs of the operational-tactical level, 351 (+1) cruise missiles, 15 (+0) warships/cutters, 4,088 (+10) trucks and tankers, 4 Iskander Missile Launchers (+0), 76 fuel bowsers (+0) and 151 (+1) units of specialized equipment.

## Key Takeaways

**By the numbers** – It appears that Russia is running out of Iranian kamikaze drones with numbers of strikes and losses reducing daily. It also appears that close combat is underway with another 480 Russian soldiers being lost in the last day, consistent with daily losses throughout the week, and month.

**Ukraine attacks Russia's hold on southern city of Kherson** - Ukrainian forces started attacking Russia's hold on the southern city of Kherson yesterday while fighting intensified in the country's east. The battles came amid reports that Moscow-appointed authorities have abandoned the city, joining tens of thousands of residents who fled to other Russia-held areas.

Ukrainian forces were surrounding Kherson from the west and attacking Russia's foothold on the west bank of the Dnieper River, which divides the region and the country.

As the battles unfolded, Putin said that Moscow has no intention to use nuclear weapons in Ukraine, despite issuing repeated warnings in the past that he was prepared to use all available means to defend Russia, including its nuclear arsenal.

"We see no need for that," Putin said at a conference of international foreign policy experts outside Moscow. "There is no point in that, neither political nor military."

Ukraine has pushed ahead with an offensive to reclaim the Kherson region and its capital of the same name, which Russian forces captured during the first days of a war now in its ninth month.

More than 70,000 residents from the Kherson city area have evacuated in recent days, the region's Kremlin-installed governor, Vladimir Saldo, said Thursday.

Members of the Russia-backed regional administration also fled, the deputy governor, Kirill Stremousov said. Monuments to Russian heroes were moved, along with the remains of Grigory Potemkin, the Russian general who founded Kherson in the 18th century. His remains were kept at the city's St. Catherine's Church.

Ukrainian President Zelenskyy described reports of Russian troops' possible withdrawal from the city as disinformation.

Zelenskyy also dismissed as "theater" recent attempts by local Kremlin-backed officials to persuade the city's civilian residents to relocate deeper into Russian-held territory ahead of the Ukrainian advance.

"Their most trained soldiers are in position. We see this and do not believe them," Zelenskyy said.

In eastern Ukraine, Russian forces continued to bombard the city of Bakhmut in the Donetsk region, making slow gains toward the center.

**Moscow says 'departure' of civilians completed as 1,000 extra Russian troops sent to Kherson amid heavy fighting** - Ukraine's military says Russia is massing troops on the right bank of the Dnieper River as both sides appear poised for what could be a key battle for Kherson in Ukraine's south, while Russian officials claim all civilians were evacuated from the city.

The General Staff of the Ukrainian Armed Forces said on October 28 that Moscow has sent in up to 1,000 recently mobilized soldiers to make up for personnel losses suffered at the hands of an ongoing Ukrainian counteroffensive in Kherson region.

"The command of the Russian occupying forces, in order to avoid panic among the personnel, is trying by all means to hide the real losses of servicemen.... There is a strengthening of the enemy group on the right bank of the temporarily occupied territory of the Kherson region with mobilized servicemen numbering up to 1,000 people," the General Staff said in a statement.

Ukraine has pushed ahead with an offensive to reclaim the Kherson region and its capital of the same name, which Russian forces captured during the first days of the war.

Ukrainian forces were surrounding Kherson from the west and attacking Russia's foothold on the right bank of the Dnieper River.

However, tough terrain and bad weather held up the Ukrainian Army's main advance in Kherson, officials said.

Kherson, one of four partially occupied provinces that Russia proclaimed to have seized last month, controls the only land route to the Crimean Peninsula that Russia illegally annexed in 2014 and the mouth of the Dnieper that bisects Ukraine.

**Ukrainian troops holding out in eastern Ukraine** - Ukrainian troops are holding out against attacks near two towns in the eastern Donbas region, President Zelenskiy reported, saying the front line has not significantly changed with the fiercest taking place near Avdiyivka and Bakhmut.

**Russia threatens US commercial satellites** – Russia warned that Moscow could target Western commercial satellites used for military purposes in support of Ukraine, and a Foreign Ministry spokeswoman accused the United States of pursuing “thoughtless and mad” escalation.

Spokeswoman Maria Zakharova argued that Washington should take an approach more like it did during the Cuban Missile Crisis in 1962, when the Cold War superpowers stepped back from the brink of nuclear confrontation.

“The more the U.S. is drawn into supporting the Kyiv regime on the battlefield, the more they risk provoking a direct military confrontation between the biggest nuclear powers fraught with catastrophic consequences,” Zakharova said.

The deputy head of Russia's delegation at a U.N. arms control panel, Konstantin Vorontsov, described the use of U.S. and other Western commercial satellites for military purposes during the fighting as “extremely dangerous.”

“The quasi-civilian infrastructure could be a legitimate target for a retaliatory strike,” Vorontsov warned.

**U.S. Secretary of State Antony Blinken** says Russia's use of Iranian drones in Ukraine is "appalling" and the United States and allies will seek to block such shipments.

**Putin said he had no regrets** about sending troops into Ukraine and sought to explain the conflict as part of the efforts by Western countries to secure global domination.

**Russian forces have launched fresh strikes** on targets in Kyiv and the city of Zaporizhzhya, as Ukrainian forces repelled attacks near two towns in the eastern region of the Donbas.

**State of emergency** introduced in four villages in Russia's Belgorod region. Their residents will be relocated.

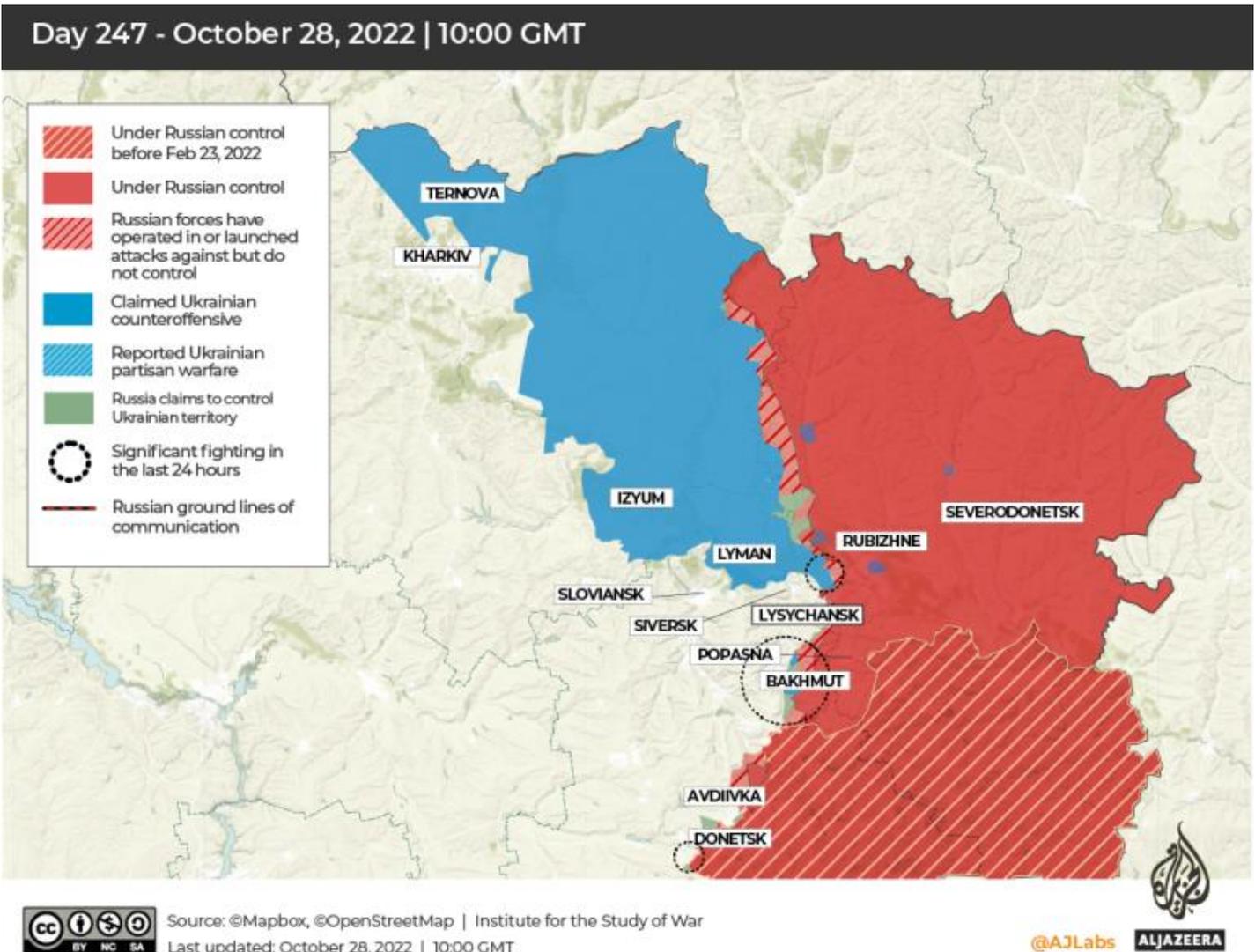
A state of emergency has been declared in the villages of Krasny Khutor, Naumovka, Novaya Naumovka and Vtoraya Naumovka in Russia's Belgorod region, head of the district administration Vladimir Pertsev said. He noted that local residents would be relocated to "a safe place," however, he did not specify where.

"Residents of the villages will be paid a compensation of 10,000 rubles [€163] for renting accommodation within the Belgorod region. Families with many children will be paid 15,000 [€244]. Besides, we will allocate 3,000 rubles [€48] per child for food," Pertsev wrote.

**Russian attacks on Ukrainian energy infrastructure** are forcing electricity cuts in the capital, Kyiv, and other cities, according to officials. The Russian defence ministry said its forces have repelled attempted Ukrainian advances in the east.



**Eastern Ukraine** - Russian forces have conducted ground attacks in the Donetsk region, according to the Institute for the Study of War. Russian sources claimed that Ukrainian troops have conducted counteroffensive operations in northeastern Kharkiv.



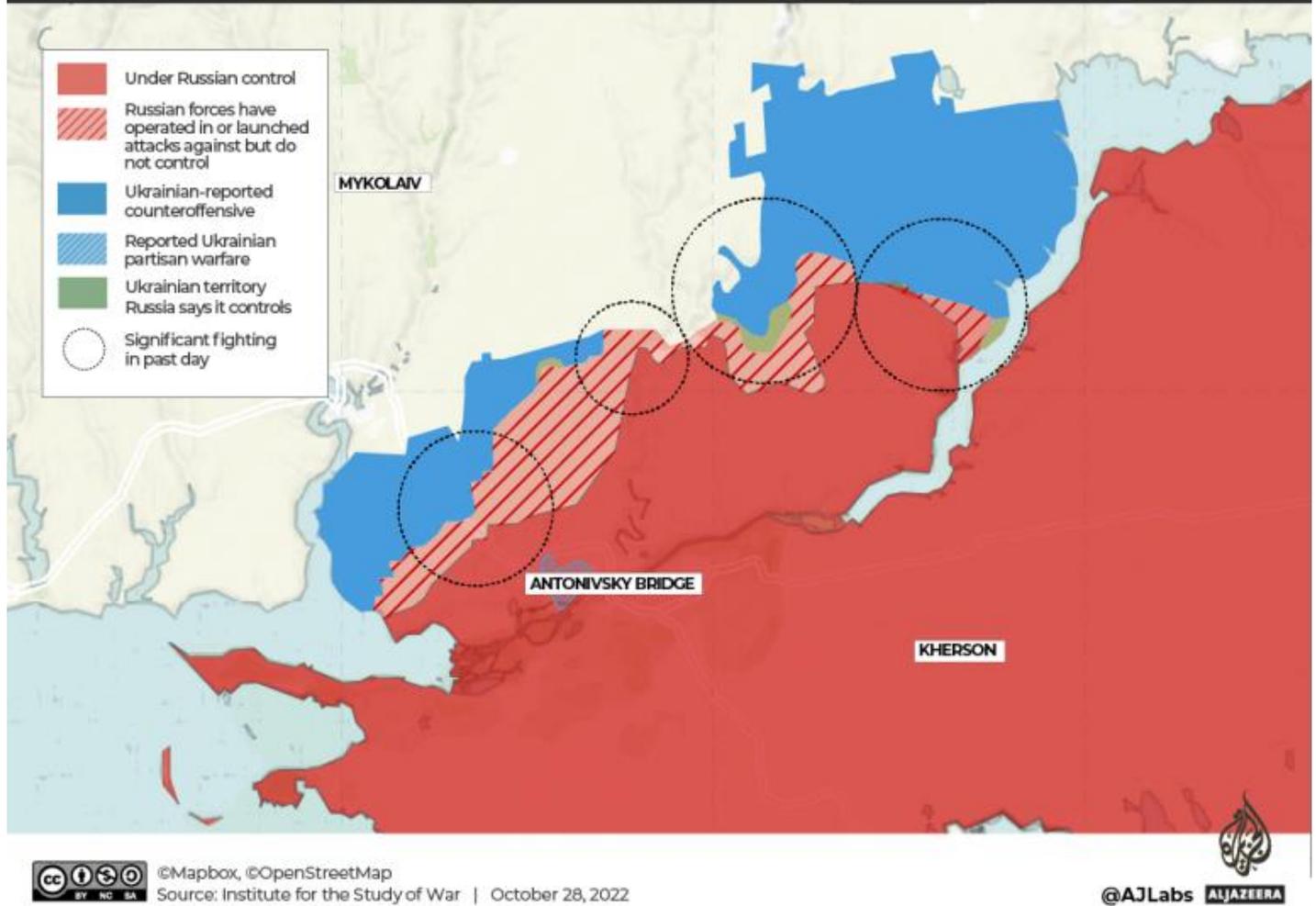
**Southern Ukraine** – Ukrainian forces are preparing to attack Kherson City in their push to reach south of the River Dnipro.

There have been conflicting reports regarding Russian withdrawals and positions, including mining of the dam upriver in order to flood the Kherson basin.

But it now appears that they are reinforcing their Kherson battalions with new recruits from the recently-announced mobilization, although their skill sets and battle readiness are questionable at best.

Possession of this region is a crucial step for both sides in the war with a direct path to Crimea following any Ukrainian success in moving south.

It also cuts in half the Russian occupation in the Ukrainian south and loss of Kherson will be a personal failure for Putin and the Kremlin



## Nuclear

The **UN's nuclear watchdog** says it will carry out an "independent verification" of Russian allegations about the production of a dirty bomb in Ukraine this week.

## Geopolitics

**To deter Arctic aggression, build the polar fleet we need** – Winter is coming early this year in the Arctic. Last month, a Chinese and Russian joint surface action group came within 75 nautical miles of Kiska Island, Alaska. In response, the Coast Guard mobilized a patrol to monitor the ships as they approached American home waters. A year prior, several Chinese warships had entered the U.S. exclusive economic zone off Alaska.

These repeated tests of American resolve so close to our shores should set off alarm bells in Washington. Our two greatest adversaries, China and Russia, are now cooperating on the high seas to challenge our presence in the region.

Chinese and Russian attempts to gain superiority in the Arctic are not new. In 2015, five Chinese vessels marked President Obama's visit to the Bering Sea with battle drills off the Alaskan coast. Russia has long maintained a strong military presence in the Arctic, even after the end of the Cold War.

What is different now, however, is that our rivals' power projection in the polar regions is outpacing our own. As a self-described "near-Arctic power," China has been working to build a "Polar Silk Road" of economic and military infrastructure across the Arctic. Meanwhile, Russia is developing its already-formidable capabilities to disrupt freedom of navigation and U.S. operations.

If China and Russia reach their goals, the Arctic will emerge as a central theater in our respective competitions. Alaska is a vital location for monitoring Chinese and Russian missile forces. The Arctic's natural characteristics also make it ripe for space launch, reconnaissance, and energy resource capture. Losing the upper hand in the Arctic could result in our exclusion from the region militarily and economically — an ominous prospect, given the trajectory of American relations with Russia and China.

**Comments** – (i) China does not have any direct territory within the Arctic so has held observer status in the Arctic Council since 2013 alongside countries such as Japan, South Korea, Singapore, India, and Italy.

(ii) Russia has more nuclear-powered icebreakers in the Arctic zone than all other countries combined. (We have commented on this factor in a number of previous Updates).

(iii) Opening up the Arctic is still a long way away from realization. Any international ocean channel and route requires at the very least, a safe recovery and assistance capability should a vessel come under stress. Russia, with its vast coastline is incapable of providing this requirement.

## Russian Mobilization

**Ukraine's military is bracing for a flood of new Russian troops** sometime in the next 10 to 14 days, the Wall Street Journal reported Friday after comments from Kyiv's General Staff Deputy Chief Oleksii Hromov. And that's welcome news for Moscow, whose top army officer in Ukraine reportedly had to put a gun to recruits heads to get them to stop retreating near the occupied Luhansk city of Svatovo, according to The Insider, reporting Thursday.

## Sanctions

**Russia finds 40% of its Chinese chip imports are defective** - Sanctions against Russia mean the country now looks to the Chinese gray market for its semiconductor imports, but there's a problem: 40% of them are defective. That marks a 1,900% increase in their failure rate over the last few months.

As reported by The Register, pro-Putin newspaper Kommersant writes that the percentage of defective imported chips into Russia before the war was just 2%, which isn't very good considering how many components are found in today's electronic items. Now, almost eight months after the country invaded Ukraine, it stands at 40%.

Russia blames these failure rates on the pandemic impacting the supply chain and sanctions forcing it to import chips from the Chinese gray market, an area that not only comes with the threat of faulty products but is also unreliable and slow.

**China's semiconductor industry 'decapitated overnight': what 'annihilation looks like'** - The Biden administration unveiled a comprehensive strategy recently to move the US forward and hold China back in the production of advanced semiconductors, virtually eliminating China's semi industry overnight, escalating the high-tech battle with Beijing.

"Every American executive and engineer working in China's semiconductor manufacturing industry resigned, paralyzing Chinese manufacturing overnight," wrote Twitter user @lidangzzz, translated by Rhodium Group analyst Jordan Schneider.

“One round of sanctions from Biden did more damage than all four years of performative sanctioning under Trump.”

**What happened:** Yangtze Memory Technologies Co, a company owned by China, and 30 other semiconductor companies in China have been put on the Unverified List by the Bureau of Industry and Security, a division of the US Department of Commerce.

Sanctions also prevent businesses from sending the cutting-edge processors required to run or train the most efficient AI algorithms to China.

The extensive new regulations are intended to keep China's AI industry in the stone age as the US and other Western nations advance.

The limitations also prohibit the export of chip manufacturing tools and design software and forbid the top silicon fabs in the world, such as Taiwan Semiconductor Mfg. and Samsung, from producing cutting-edge chips for Chinese businesses.

Why Did American Execs Resign? One of the provisions of Biden's executive order is that any US citizen or green card holder working in China cannot work in the Chinese semiconductor industry or risk of losing American citizenship.

According to the @lidangzzz thread, it is not just affecting Americans. “Everyone from Lam Research Corporation at Yangtze Memory left today, and on the 12th the Applied Materials folks will leave as well — not just Yangtze, but also HLMC, ICRD, Jiading fab, Hefei’s CXMT DRAM fab.”

“The starting point for this round of sanctions is to go all the way up the food chain and ensure the elimination of all American products and technologies from the entire ecosystem,” the thread reads.

**Why It Matters:** Taiwan Semi reduced its forecasts for capital expenditures and Applied Materials cut its outlook for revenue and profit following the sanctions. Both businesses said the demand for semiconductor products would decline.

Chinese officials described the U.S. limitations as a significant step intended to thwart the development of the nation. The decision might have wide-ranging effects, such as restricting the development of artificial intelligence that underpins algorithms for driverless vehicles, and other risks.

**"This is what annihilation looks like:** China’s semiconductor manufacturing industry was reduced to zero overnight. Complete collapse. No chance of survival," the thread continued.

**Benzinga's Take:** While the new sanctions are a sharp blow to China's semi industry, U.S. leverage could fade eventually as Shenzhen, China's innovation powerhouse, intensified efforts to develop its domestic chip sector by giving significant subsidies and financial incentives to semiconductor companies registered in the city.

### **Sakhalin oil project hints at the potential collapse of Russian output when new EU sanctions take effect**

A Russian oil project led by Exxon Mobil saw production tumble after the US company refused to accept local insurance for tankers, offering a potential clue on what could happen to Moscow's energy sector after new European sanctions take hold.

Sources told Reuters that output at the Sakhalin-1 Russian Pacific project cratered to just 10,000 barrels per day this year from 220,000 bpd before Russia invaded Ukraine.

Production collapsed after Western companies stopped insuring tankers operated by state-run Sovcomflot, which was targeted by an earlier round of sanctions, according to Reuters.

Exxon's Russian unit, Exxon Neftegas, has had trouble chartering tankers because of the sanctions and has refused to work with Sovcomflot, the report said.

An Exxon spokesperson told Insider that the company announced in March its intent to take the steps required to exit the Sakhalin-1 project, discontinue its role as operator, and no longer invest in projects in Russia.

"Exiting has been a complex process, and we have remained committed to operating in a manner that protects the safety of employees, the environment, and the integrity of the Sakhalin-1 project," Exxon said in an emailed statement. "With its two recent decrees, the Russian government unilaterally terminated our interests in Sakhalin-1, and the project has been transferred to a Russian operator. We are reserving our legal rights under the production sharing agreement and international law."

Earlier this year, Russian President Vladimir Putin signed a mandate that gave control of the Sakhalin-1 to Sakhalinmorneftegaz-Shelf, a subsidiary of Rosneft. Exxon said in August the company would transfer its 30% stake of Sakhalin-1 to a third party.

The production collapse at the Sakhalin project precedes a new round of European Union sanctions, which will include a broader ban on insurance for Russian oil tankers, that go into effect on December 5.

## Putin

**Putin's hope for Ukraine win revealed in battle for Bakhmut** - Russian soldiers pummeling a city in eastern Ukraine with artillery are slowly edging closer in their attempt to seize Bakhmut, which has remained in Ukrainian hands during the eight-month war despite Moscow's goal of capturing the entire Donbas region bordering Russia.

While much of the fighting in the last month has unfolded in southern Ukraine's Kherson region, the battle heating up around Bakhmut demonstrates Russian President Vladimir Putin's desire for visible gains following weeks of clear setbacks in Ukraine.

Taking Bakhmut would rupture Ukraine's supply lines and open a route for Russian forces to press on toward Kramatorsk and Sloviansk, key Ukrainian strongholds in Donetsk province. Pro-Moscow separatists have controlled part of Donetsk and neighboring Luhansk province since 2014.

Before invading Ukraine, Putin recognized the independence of the Russian-backed separatists' self-proclaimed republics. Last month, he illegally annexed Donetsk, Luhansk and two other provinces that Russian forces occupied or mostly occupied.

Russia has battered Bakhmut with rockets for more than five months. The ground assault accelerated after its troops forced the Ukrainians to withdraw from Luhansk in July. The line of contact is now on the city's outskirts. Mercenaries from the Wagner Group, a shadowy Russian military company, are reported to be leading the charge.

Russia's prolonged drive for Bakhmut exposes Moscow's "craziness," Ukrainian President Volodymyr Zelenskyy said in a nightly address to the nation this week.

"Day after day, for months, they have been driving people there to their deaths, concentrating the maximum power of artillery strikes there," Zelenskyy said.

The shelling killed at least three people between Wednesday and Thursday, according to local authorities. Four more died between Thursday and Friday in the Donetsk region, the province's Ukrainian governor reported as Russian troops press their attacks on Bakhmut and Avdiivka, a small city about 90 kilometers (55 miles) to the south that also remains under Ukrainian control

Gov. Kyrylenko said the civilian population was suffering in more ways with the region becoming an active war zone.

Russia needs a victory in Bakhmut given it is losing control over large swaths of the northeastern region of Kharkiv to a Ukrainian counteroffensive last month and its deteriorating position in Kherson. The areas were among the first the Russian military captured after the Feb. 24 invasion of Ukraine.

“Russia’s suffering defeats across the board. ... They need the optics of some kind of an offensive victory to assuage critics at home and to show the Russian public that this war is still going to plan,” said Samuel Ramani, an associate fellow at the Royal United Services Institute, a defense and security think tank based in London.

**Comment** – Ukrainian troops have succeeded in pushing Russian front lines around Bakhmut back.

**Russian infighting could be just what Ukraine needs** - At a time when criticism inside Russia of its “special military operation” against Ukraine—a euphemism for its unprovoked invasion of its neighbor—can often lead to arrest and prosecution, even long prison sentences, two people stand out for their harsh assessments of the military’s performance: Chechen leader Ramzan Kadyrov and the head of the Wagner mercenary outfit, Yevgeniy Prigozhin.

Kadyrov and Prigozhin’s criticism of the Russian military likely has more to do with palace intrigue in Moscow than with the situation in Ukraine. Kadyrov and Prigozhin are close enough to Putin that they haven’t faced any consequences criticizing—even insulting—the Russian Ministry of Defense and its leaders. One of the ways that Russian President Vladimir Putin preserves his power is by keeping various factions at odds with each other and refereeing the political infighting. Constant bureaucratic (and sometimes actual) combat among the Kremlin’s many towers may help Putin keep his hold on power, but it could cost him in Ukraine. Russian infighting could be exactly the opportunity Ukraine needs.

Kadyrov and Prigozhin are both rivals for power in influence in Putin’s circle. Neither has the institutional heft of the Russian military, but they were hand-selected by Putin for positions of power and have earned his personal trust.

Russian military leaders have been suspicious of Kadyrov for years, ever since he replaced his father, Akhmad, who was assassinated in 2004. Putin handpicked Ramzan to replace Akhmad as leader of the rebellious republic in Russia’s North Caucasus region, which Russian forces invaded in 1994 and again in 1999. Through brutal tactics and intimidation, the younger Kadyrov has kept the lid on Chechnya, building up a security force loyal to him but not to Russia’s military. His deal with Putin appears to be that Kadyrov gets to run Chechnya as his personal dictatorship-within-a-dictatorship as long as Chechnya doesn’t cause any problems for Moscow.

Prigozhin, frequently described as “Putin’s chef” for his catering business with the Kremlin, has been tied to Putin for many years. His PMC Wagner paramilitary company, with suspected ties to Russia’s military intelligence arm, has a reputation for corruption and brutality in places where it has been deployed, including in Syria, the Central African Republic, Libya, and Mali. Prigozhin has been sanctioned and indicted by the United States for his support for the invasion of Ukraine going back to 2014 and for his efforts to interfere in the 2016 U.S. election through another organization he oversees, the Internet Research Agency troll farm.

Bloggers have rallied around Sergei Surovikin, the new general put in charge of Russian forces in Ukraine; Prigozhin and Kadyrov have also praised Surovikin, a man known for brutality.

Surovikin has been preparing for the possible loss of Kherson, as Ukrainian forces zero in on recapturing that key city. If that happens, it is easy to imagine Prigozhin and Kadyrov quickly turning on Surovikin. Putin—not one to take responsibility for his mistakes—may make Surovikin the fall guy for yet another military setback.

As long as he can contain it, the sparring may preserve Putin’s grip on power. This serves Putin’s personal and political interests by keeping the spotlight for Russia’s disastrous invasion on them, and not on the Russian leader, where it

ultimately belongs. The problems arise if Kadyrov's and Prigozhin's ambitions grow too large, in which case Putin would need to order the military and/or security services—none of which appear to have personnel or resources to spare—to rein them in. On the other hand, the military has demonstrated that it is incapable of achieving Putin's objectives in Ukraine—so who can? The more he relies on Kadyrov and Prigozhin, the more opportunities the Ukrainians will have to take advantage of the disorganization inherent in private military groups. That might create openings for further Ukrainian advances which, in turn, could feed further Russian infighting. All this could produce a sudden Russian military collapse.

## Impacts

**Russia spends billions of rubles on firewood to heat up schools and hospitals** – Russia's regions still use firewood for heating. The authorities spend over 3 billion rubles (€49.7 million) on firewood each year to heat state institutions, including schools and hospitals. That said, in Russia the price of firewood, compared to the average wage level, is higher than in Germany.

“People have started to stock up firewood for the winter, just like in the Middle Ages,” Putin said in surprise on 12 October during this year's Russian Energy Week event. “The reason is not the special military operation in Ukraine and Donbas, absolutely not. This is the result of the poor energy policy that had been in place for years.”

Russia has already spent 3.6 billion rubles (€58.5 million) on firewood this year, and this figure is most likely to surpass 4 billion by the end of the year.

The most frequent buyers are boiler station operators: they use wood to heat up people's homes, spending a total of 2.1 billion this year (€34.4 million). Second to them are various state institutions, such as farming enterprises or the Russian Railways, who spent almost 450 million (€7.4 million).

Firewood is still used in Russia to heat up schools, kindergartens, and even hospitals countrywide. For instance, the republican vets hospital in Buryatia, the region which is among those that lost most men in the Ukraine War, is heated by firewood, same as the city hospital in Irbit, the region of Yekaterinburg. Hospitals in the regions of Tver and Saint Petersburg, European Russia, use firewood, too.

**Will Europe freeze?** - Russia's gas supply to Europe has finally become a tool in warfare since the start of the invasion of Ukraine. Russia started shutting off gas valves for Europe in 2021, before ultimately stopping the Nord Stream operation in August 2022. This caused its gas exports to the countries outside the former Soviet Union to decrease by 40% this year. Russia's share of the European gas market collapsed from 40 to 7.5%.

The Eastern European countries, such as Romania, Hungary, Slovakia, Bulgaria, Croatia, as well as Germany are most dependent on Russia's gas supply, not the Western European ones. These countries imported over 65% of its gas from Russia in 2020, heating more than a half of their households with it.

In these circumstances Europe started looking for an alternative to Russia's supplies, and it did find one. The EU is now increasing its imports of liquefied natural gas. This commodity can be transported by fuel tankers. Russia is being replaced by the US and the UK. Great Britain imports the liquefied gas and then supplies it to the EU, using pipelines.

Moreover, the EU is rescheduling the closure of its nuclear power stations and is ramping up the production and usage of coal and firewood. The latter was commonly used for heating even before the Ukraine War, for instance, in Latvia and Hungary. However, the energy crisis forced even the middle-class Berlin residents to sweep their chimneys and to bring their old wood stoves into shape, preparing for potential heating supply issues.

Europe has managed to prepare for the upcoming winter overall thanks to reduced consumption and energy sources diversification. Germany's gas reservoirs are 95% full, Italy's ones are 93% full. The gas prices are spiraling downward.

**Authorities in Russian-occupied Zaporizhzhia order phone checks on residents** - Russian-installed authorities in Ukraine's occupied region of Zaporizhzhia have ordered phone checks on local residents, announcing the implementation of military censorship under Putin's martial law decree.

"Law enforcement officers have begun a selective preventing check of the mobile phones of citizens," Moscow-appointed official Vladimir Rogov said. He said those subscribed to "propaganda resources of the terrorist Kyiv regime" will receive a warning, before being fined.

He also warned that there will be "criminal liability" for "malicious violations of a law on the activities of a foreign agent."

**Comment** – phones are used by partisan fighters to relay artillery target coordinates to Ukrainian Command.