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## DEUTSCHE BANK: Here's The Worst-Case Scenario For The Russia-Ukraine Conflict



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The latest round of U.S. sanctions on Russia and the tragedy of [Malaysia Airlines flight MH17](#) in eastern Ukraine have everyone on edge about tensions on the Russia-Ukraine border.

"Core issues in the Ukraine crisis remain unresolved," said Deutsche Bank analysts Raj Hindocha and Marcos Arana in a presentation before the MH17 incident. "[T]he risk of escalation into a wider regional military conflict can't be ruled out."

Hindocha and Arana included this slide laying out three scenarios for the region.

Under their worst-case scenario, warn that "Russia's relationship with Europe comes into play" with the "Potential for disruption of Russian gas supply to Europe."

The European Union has [substantial trade ties](#) with Russia, and petroleum trade is arguably the most important.

# Core issues in the Ukraine crisis remain unresolved; the risk of escalation into a wider regional military conflict can't be ruled out



## Russia / Ukraine scenarios

Status quo: an edgy stalemate

- Core issues, i.e., political status of Eastern Ukraine and Russian acceptance of Ukraine / EU integration, remain unresolved
- Continued fighting between separatists and Ukrainian army
- Preparation for further potential combat continues, despite conciliatory signals

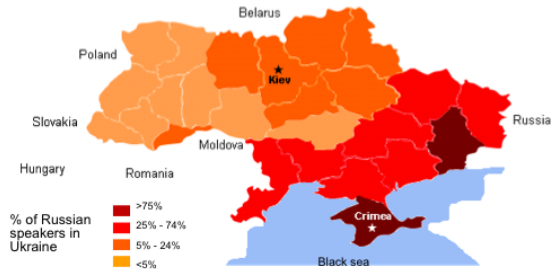
Downside scenario: deepening conflict

- Separatists prove uncontrollable, despite conciliatory tone from Russia
- Further destabilisation in Eastern Ukraine
- Potential for Russian intervention – ranging from providing support to rebels, launching air strikes or invading / annexing Eastern Ukraine
- West imposes level 3 trade / financial sanctions; Russia freezes Western assets

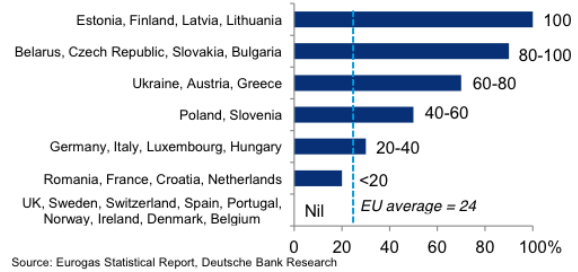
Worst-case scenario: a broader regional destabilisation

- Russia's relationship with Europe comes into play
- Potential for disruption of Russian gas supply to Europe

## Russian-speaking Ukrainians are concentrated in Eastern Ukraine



## % of gas coming from Russia: European countries have different degrees of natural gas dependency on Russia



Source: Eurogas Statistical Report, Deutsche Bank Research

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