



RACE IAS

# Editorial

09 May 2022

## Impact of Russia-Ukraine war on Europe's demography



### Context:

The European Union has been **plagued by a demographic issue** for a long time – the region is getting older and more people are dying than being born.

**Europe's median age of 43** is nearly four years older than that of North America, the next-oldest region.

The population of the European Union is expected to peak at just shy of 450 million within the next few years, then dip below 424 million by 2070.

Croatia's prime minister, called **declining population "an almost existential problem for some nations"**. And the Croatian PM's concern is well-founded in the fact that the **issue of dwindling numbers** in the formerly communist countries of eastern Europe is compounded by outmigration.

However, things began to change radically since Vladimir Putin decided to invade Ukraine, with over 5 million people taking shelter in nearby countries.

In the weeks since the start of the invasion, all of Ukraine's borders, except those with Russia and Belarus, have remained open.

Most refugees used one of the 31 border checkpoints in western Ukraine and entered Poland, Slovakia, Hungary, Romania, and Moldova.

We take a look at countries which have taken in the maximum number of refugees and how that might have an **impact on the demography of the continent.**

### Where are the refugees going?

1. **Some 5.6 million people** – the bulk of them women and children – have fled Ukraine since the war began, the vast majority to countries bordering it on the west.
2. **Poland**, which until recently exported more people than it received, has taken in more than half of these.
3. The **population of Warsaw** expanded by 17 per cent in weeks, according to figures put out by the United Nations High Commissioner for Refugees (UNHCR).
4. **Hungary**, whose population had shrunk from 10.7 million in the mid-1980s to 9.8 million in 2020, has received more than 500,000 Ukrainians.
5. For countries such as Poland, the Czech Republic, Slovakia, Hungary and possibly the Baltic states, the **crisis is a moment for them to shift from becoming immigration countries** rather than outmigration countries.
6. Countries to the **west of Ukraine** look like **demographic gainers**, although the **influx is putting a strain on some**, especially Moldova, which has received more than 400,000 refugees – equivalent to 15 per cent of its population.
7. For Poland, where around 1.4 million Ukrainians lived and worked in 2020, the arrival of millions more turns the demographic clock back to before the second world war, when the country had a large Ukrainian minority.
8. This comes at a time when the ruling Law and Justice Party has been keen to increase the number of Poles.
9. In 2016, it sought to raise the birth rate by giving families 500 zlotys (\$115) a month for every child after the first.

10. The effect was mainly to encourage women already planning to have children to have them earlier lest the benefit is withdrawn.
11. The number of births rose in the scheme's first two years, but dropped in 2020 to the lowest level since 2003. The Ukraine war has, however, added more than a million children to Poland's population temporarily.
12. Other European countries, especially those with a large Ukrainian diaspora, stand to gain.
13. **Around 1.5 million refugees** have moved to countries farther west, including Germany, Italy and France, according to an estimate by Gillian Triggs of the United Nations refugee agency.
14. Before the war, about 250,000 Ukrainians lived and worked in Italy, where the median age is four years higher than in Europe overall and the fertility rate is among the lowest.
15. In the first three months of this year, **Austria's population increased by half a percentage point** to more than 9 million – 83% of that growth was from Ukrainian immigration.

#### Impact on India:

1. India had decided to **abstain on the vote on the United Nations Security Council Resolution** which was moved by the United States and its allies against Russia over the Ukraine invasion.
2. But India should surely recognize that BRICS, in *its New Delhi Declaration*, had resolved that the five BRICS nations were opposed to the unilateral use of force against any state, and wanted all disputes resolved by peaceful means, and categorically ruled out the use of force against the territorial integrity or political independence of any State.
3. India's imports of petroleum products from Russia are only a fraction of its total oil import bill and, thus, replaceable.
4. However, getting alternative sources for fertilisers and sunflower oil may not be as easy.
5. Exports to Russia account for less than 1% of India's total exports, but exports of pharmaceuticals and tea could face some challenges, as will shipments to CIS countries. Freight rate hikes could make overall exports less competitive, too.
6. From this juncture onwards, India must take stock since the apparent goal of **India becoming a "Vishwa Guru"** is now, at best, a mirage.

7. Since independence, India has failed to become one since it cannot be a reality in the present global dispensation.
8. Instead, **India needs friends and collaborators but without bowing before any country.**

### How does it look for Russia and Ukraine?

1. It's a **demographic disaster**, to say the least, for Ukraine which was already fighting a **shrink in population** thanks to emigration and fewer births.
2. Since February more than a quarter of the population has been forced to move, including 7.7m people displaced within the country.
3. With its birth rate already falling, Russia, too, is bound to suffer. Educated Russians have left the country since the invasion as they believe that the current regime has very little to offer.
4. Putin has been splashing out cash to encourage women to have babies. In 2020, he extended a **one-time "maternity capital" payment** worth \$7,600 to families when they have their first baby.
5. Before this, it was available only to those who already had a child. Putin hoped *to boost the fertility rate from 1.5 to 1.7*, but the tumult caused by the war will **probably push it in the opposite direction.**

### Is the demographic change long-lasting?

1. Most of the refugees who have fled Ukraine in the face of the war are women and children as men in the **age bracket of 18 to 60** have been compelled by the government to remain in the country.
2. Thus, if the war is short, women and children will probably return quickly to Ukraine to reunite with husbands and fathers.
3. However, all of that depends upon how long the war lasts, and on how much damage is inflicted on their home country.
4. During the **Kosovo war of 1999**, when Nato bombed Yugoslavia to prevent the brutalisation of ethnic Albanians who make up Kosovo's majority, hundreds of thousands fled, or were forcibly moved, to neighbouring Albania and Macedonia.
5. But it lasted 78 days, after which the Kosovars quickly returned. By contrast, during the Bosnian war, which lasted from 1992 to 1995, around 700,000 refugees fled to western Europe and beyond, and far fewer returned.

6. As such, Bosnia's population now stands at around 3.2 million, down from 4 million before the war.

### Conclusion:

If the war drags on, and the Ukrainian economy **reaches a point of no return**, it would be just a matter of time before the men of the country head westwards to join their wives and children.

Added to that, if the governments of the countries they move to provide jobs to the newcomers, the **migration might become long-lasting**.

**Ukraine, thus, is on the brink** of where the Balkan states were during the one-year-long war which robbed some of the brightest and best of a generation.

## Dealing with the Power Crisis

India was recently hit by a power crisis when the **daily peak power shortage rose to 10,778 MW** and the **energy deficit reached 5%** at the national level, with some states experiencing steep deficits of up to 15%. Consequently, **discoms resorted to load-shedding**, resulting in **long hours of outage** for many households and rationed supply for economic activities.

**Depleting coal supplies** at thermal power plants has resulted in this crisis. However, this is **not a new phenomenon**. The shortage occurs almost every year and the government, despite its various measures, has not succeeded in overcoming the problem.

Now, unless the underlying issues and structural problems are addressed, this crisis won't be the last one to occur. The arithmetic solution is to **make sure coal power plants stockpile enough fuel**.

### What is the Coal Dependency for Power in India?

- As of September 2021, **thermal power** (power generated from burning coal, gas and petroleum) **comprised 60% of India's installed capacity** in power generation.
- Coal-based power generation, with a capacity of around 210 gigawatts (GW) of the total 396 GW, accounts for about 53% of India's total power capacity as on March 2022.
  - **India imports about 20% of its thermal coal requirements.**

- According to a CEEW (Council on Energy, Environment and Water) assessment, a **disproportionate share of generation comes from older inefficient plants**, while the newer and **efficient ones remain idle** for want of favourable coal supply contracts or power purchase agreements.

### What can be the Possible Causes of the Power Crisis?

- **Revival of Economic Activities:** The **heatwaves** and revival of economic activities after Covid-19 disruptions propelled electricity demand.
  - In April 2022, average daily energy requirement increased to 4,512 million units (MU) from 3,941 MU in April 2021, registering a 14.5% growth, compared to average year-on-year growth of around 5%. The jump from March to April was 6.5%.
  - The Railways, which dominate long-distance transport are also facing high passenger traffic on shared track.
- **Inefficiency of TPPs:** With 236 GW of thermal power plants (TPPs) running **much below their capability** (at 59% capacity utilisation), India could have managed this demand surge by ramping up thermal generation.
  - The **TPPs' inability to ramp up power generation** is explained by critical coal stockpile levels at plant sites.
  - While TPPs are required to maintain stockpiles approximating two-three weeks of fuel needs, **more than 100 plants are operating with fuel stocks below 25% of the required level**, and over half of these have stocks below 10%.
- **Cash Flow Problem In The Electricity Sector:** The **inability of discoms to recover costs** has resulted in outstanding dues of over ₹ 1 lakh crore to power generation companies. Consequently, power generation companies (GenCos) default on payments to Coal India Limited (CIL).
  - Following the **Ukraine war**, international spot market **coal prices have soared to over \$400 a tonne** from around \$50 a tonne in 2020.
- **Discom Losses:** Despite two decades of sectoral reforms, the **aggregate losses of discoms stand at 21% (2019-20)**.
  - This is reflective of both **operational inefficiency and poor recovery of dues** from consumers, including those affiliated with state governments and municipal bodies.



- These losses are also the reason for **discoms not being able to pay the generators on time**, resulting in payment delays to Coal India, which, in turn, is reluctant to supply coal on request.
- **Multiple Structural Fault Lines:** First is the **chronic insolvency of discoms** which has disrupted upstream supply chains.
  - Another is that the **utilities do not undertake effective resource planning**.
  - Moreover, the blame-game in such cases is inevitable; with every crisis, **states blame the Centre for faulty coal allocation and dispatch**, and the **Centre blames states' inability to pay upstream suppliers**.
    - The result is 'band-aid solutions' to suppress the crisis rather than fixing structural fault lines.

### What can be the Way Forward?

- **Planning and Policy Reforms:** There is a need to change our planning from one of primarily managing scarcity to one of **flexible resiliency**.
  - We also need to **introduce feedback loops in the ecosystem** so that stakeholders have both carrots and sticks – incentives to achieve/exceed compliance but repercussions if they don't.
  - Policy focus should be on **long-term structural solutions that address distribution financial viability** and a robust mechanism for resource planning.
- **Enabling Ecosystem:** The need is to create an enabling ecosystem to ensure power plants work efficiently.
  - With more than 90% of power being procured through long-term contracts, discoms have little incentive to dynamically assess and manage demand.
    - Discoms should be enabled to **undertake smart assessment and management of demand**.
  - **Revisiting fuel allocation** and supporting the **priority dispatch of efficient plants** could help India **reduce coal demand by up to 6%** of our annual requirement, and set aside more coal for the times of crisis.
- **Strategic Energy Transition:** A knee-jerk reaction to the current crisis may generate pressures to redirect investments to fossil resources, risking India's long-term energy transition efforts. **Coal dependency is neither predictable nor cheap**.

- A strategic approach to the energy transition that **harnesses the low-cost power promise of renewable energy** and **opportunities for diversification in energy mix** is critical to address persisting power shortages.

**Middle Term Solutions to Solve Crisis:** While India is expected to tide over the current coal shortage, the only way it can secure its longer-term energy security is by ramping up production from renewables.

- However, in the medium term, it is also **imperative to upgrade infrastructure at coal mining facilities, and open up existing mines** to the private sector for mining to augment the supply of coal.
- Failure to do so will leave it vulnerable to imbalances in supply and have deleterious trickle-down effects.

**Focussing on Domestic Production and Reducing Imports:** Increasing domestic production to reduce and even avoid imports altogether is imperative. The key enabler for this would be to dispense with the requirement for **fresh environment clearance**.

- India must enhance investments in the **deployment of clean coal technologies** throughout the coal value chain.
- **Mining blocks allocated to the private sector**, private commercial mining now being legal, may be helped to get into production at the earliest.
  - By doing so, the requirement for higher coal imports and the consequent onerous financial burden would get moderated.

## Conclusion:

Given the country's development aspirations, India's power demand is set to rise substantially and become more variable. Increasing climatic and geopolitical uncertainties underscore the need to become more efficient in the way we generate, distribute and consume energy. We need to act now for the long-term resilience of India's power sector.