

# Russia-Ukraine conflict could deal another blow to chip crisis

Article

**The news:** A potential conflict between **Russia** and **Ukraine** could impede the supply of **neon** and **palladium**, two critical components of chip manufacturing.

**Why it's worth watching:** The White House has been urging chipmakers to develop workarounds to material disruption resulting from the political tensions between Russia and Ukraine, [per](#) Protocol.

- Factories use neon from Ukraine for laser gases in lithography, and companies use palladium from Russia for chip packaging and developing sensors and memory.
- **90%** of US semiconductor-grade neon comes from Ukraine, while **35%** of US palladium is sourced from Russia, [per](#) Techcet.
- The **Semiconductor Industry Association** (SIA) has asked members about their access to materials sourced from the region.

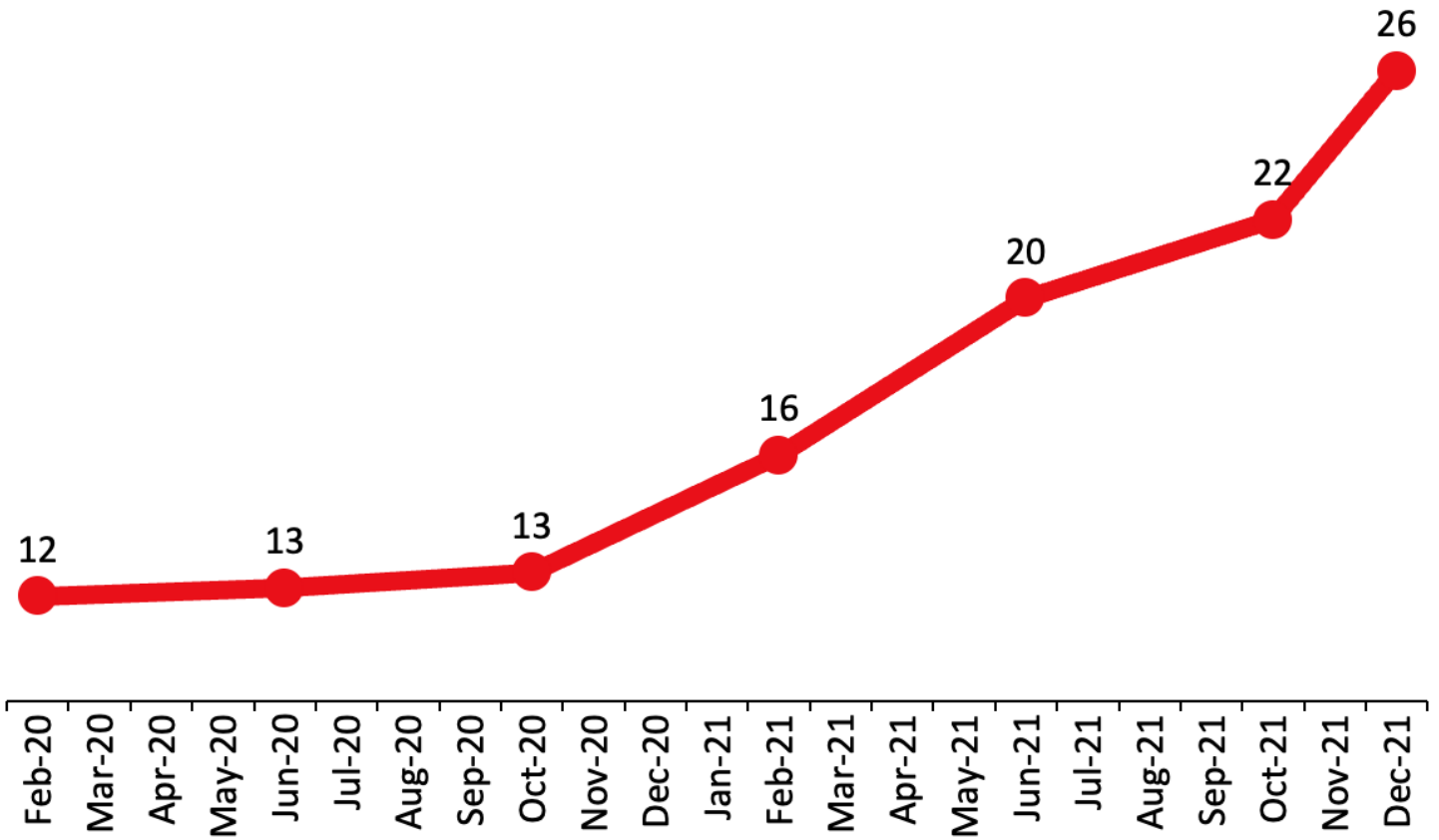
**The problem:** The Russia-Ukraine conflict can intensify at any time. “We continue to see signs of Russian escalation, including new forces arriving at the Ukrainian border,” **Jake Sullivan**, the president’s national security adviser, [told](#) The New York Times.

- Material disruptions are sure to follow any military action, with no guarantee of when supply would resume.
- Beyond material shortages and subsequent factory closures, a Russian invasion of Ukraine is expected to [disrupt](#) global financial markets and result in economic sanctions against Russia, leading to further shortages.
- Delivery times for chips increased to 25.8 weeks in December, an all-time high, [per](#) the Susquehanna Financial Group.

**What’s next:** Shortages and trade embargoes are common results of political conflict, which some countries can use as leverage during negotiations. In the case of Russia and Ukraine, a neon and palladium shortage will put pressure on a [prolonged global chip crisis](#).

While chipmakers are being warned to look for alternative sources of neon and palladium, this will likely be near impossible given the volume of production coming from the region.

# Gap Between Ordering a Chip and Delivery (In weeks)



Source: Susquehanna Financial Group, 2022

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