

Nord Stream 2 Pipeline Undermines Eastern European Security

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In April two contradictory statements by German Chancellor Angela Merkel brought the question of what to do with the Nord Stream 2 pipeline to the forefront.

The Nord Stream 2 consortium is a Swiss-based vehicle for the Russian state firm *Gazprom*, which aims to build a 1,200km pipeline under the Baltic Sea from St. Petersburg to Germany. The pipeline will concentrate roughly 80 percent of Russian gas transports to Europe on a single route which is 26 percent of European gas consumption. Already the Nord Stream 1 pipeline, working at 70% capacity, brings Russian gas to Western Europe. Nord Stream 2 is intended to bring Russian gas to Eastern Europe. Gerhard Schroeder, is a former SPD German chancellor, now working for Gazprom. The Berlin-based lobby group Ost-Ausschuss defends German businesses interests in Russia,

The first statement, one day after Germany and its EU allies expelled Russian diplomats over Russia's use of a chemical weapon to try to kill a former Kremlin spy in the UK, and despite the furore, chancellor Angela Merkel gave the go-ahead to Russia's Nord Stream 2 (NS2) pipeline saying that NS2 "poses no danger to diversification", and insisted the project was only an "economic project".

Recently the Industry and Energy Committee in the European Parliament voted in favour of bringing NS2 under European law, thus re-establishing order, stability and predictability in the European energy market, *as has always been the intention and ambition of the European Energy Union (EEU)* [italics mine]. It upholds legislation, ensuring that energy projects in Europe operate under European market legislation, as well as competition, security of supply, commercial logic and diversity in the European energy markets

In addition, the European Commission is preparing a change to its gas market laws that could force Gazprom to open up its future NS2 gas pipeline to its EU competitors. "The gas directive in its entirety...will become applicable to pipelines to and from third countries, including existing and future pipelines," the draft proposal says. What Europe needs is more competition, market reforms and diversity of energy sources and suppliers. The proposed legislation spurred controversy in certain capitals, but it was merely a vote on whether European law is applicable in Europe.

In essence, NS2 interests represent the opposite and would therefore be affected by any legislation with market reforms and strengthening the EEU. There is a reason why the NS2 enthusiasts are fiercely opposed to the proposed legislation. Simply, the Gazprom pipeline does not have any commercial purpose. Having to comply with European legislation would make it non-profitable, as its *raison d'être* is not to address actual need, but rather to undermine the functioning and effectiveness of the EEU and, circumvent gas transit through Ukraine, paving the way for further Russian strong-arming in the region and Russian energy blackmail. It would uproot the architecture of the European gas markets and, increase the dominance of state-controlled Gazprom to the detriment of competition, security of supply and market reforms in the EEU.

Because NS2 affects mostly Eastern Europe, opposition there to NS2 is intense. Latvian foreign minister Edgars Rinkevics disclosed that the Baltic States, Nordic countries, and the Visegrad group have formed a bloc on NS2 inside the EU, calling it a "political project not an economic one". In March, the Baltic States and Polish parliaments jointly warned other EU parliaments that the NS2 is a Moscow policy instrument that would deepen Europe's dependence on Russia.

Ukraine is pressing the EU to impose sanctions against former German chancellor Gerhard Schroeder, over his pro-Russian lobbying activities, describing him as "the most important lobbyist of Putin's projects worldwide". Poland has urged the US to fine five EU energy firms for taking part in building NS2. "We want construction of the pipeline to be put under American sanctions in line with the [US] act of 2 September 2017,"

A new Danish law could block pipelines running through Danish territorial waters for security concerns. Russia has warned Denmark that the pipeline might bypass Danish waters, after the new law could increase uncertainty in obtaining permits. "Times change," a Danish minister said, referring to Russia's increasingly aggressive behaviour. "Political conditions in the world also change. Now we have to involve security, defence and foreign policy aspects when dealing with the NS2 application ...while Danish soldiers are stationed in the Baltic countries, we have to weigh in how NS2 fits our foreign policy interests".

US opposition to Nord Stream 2 should not be underestimated. NS2 "undermines US export strategy to ship more LNG (Liquefied Natural Gas) to Europe," says the *Economist*. An expert on transatlantic relations told the *EUobserver* "I don't think Europe understands the long-term consequences of the NS2 for the US-Europe relationship. This could turn really ugly".

Former NATO chief Anders Rasmussen said it would be "absurd" to let NS2 go ahead at a time when the EU was trying to impose a cost on Russian aggression in Ukraine and the UK via sanctions, calling the pipeline "a political project".

The question of NS2 approval could be handled two ways, at the EU level or by individual member states. The EU commissioner for competition said that the EU had no legal recourse to stop it being built. The European Commission does have grounds to ensure that the pipeline would not operate in a "legal void". The Commission proposed to negotiate a Russia-EU legal model for the NS2 that would ensure it would not harm EU energy interests. But a legal opinion by the EU Council has ruled that the Commission had no mandate to do that and Germany would be free to veto such an agreement in any case.

According to European Commission head Jean-Claude Juncker, there is no appetite among EU states for his office to negotiate a Russia-Germany gas pipeline deal, but "quite a number" of states want EU-level intervention amid concerns over Russian energy bullying.

Then the other shoe dropped.

Unexpectedly, Germany, for the first time, acknowledged allies' concerns on the "political" and "strategic" aspects of the NS2 project, and that it cannot go forward without first clarifying Ukraine's role in the project. Chancellor Merkel said she had made her views clear to Putin during a telephone conversation, and made the statement after meeting Ukrainian president Petro Poroshenko on April 10. "It has strategic importance for Ukraine," she said. "This is not just an economic project, but political factors must also be taken into account". She spoke of the ongoing Russian aggression in east Ukraine, "We have no real truce". The chancellor's choice of words on NS2 marked a departure from her previous "economic project" line. It could cost Ukraine \$3bn a year in lost gas transit fees at a time when Ukraine is fighting to align itself with the West.

Merkel seemingly accepts that the NS2 would harm EU energy security by enabling Russia to cut off gas to member states i.e. Poland or the Baltic States, and it would make a mockery of EU sanctions on Russia over its invasion of Ukraine. NS2 is a platform for Russian coercion and a geopolitical mistake. The German chancellor has set herself up for a confrontation with the Russian president over the project amid concerns Putin is attempting to increase Western Europe's dependency on Russian gas at the same time eroding Ukraine's importance in the project. Ukrainian President Poroshenko has referred to NS2 backers as "Russia's accomplices in its hybrid wars".

Whether Merkel's words marked a U-turn in German policy or opened a door for minor concessions by Russia remained to be seen, causing surprise in her coalition with the centre-left SPD party, which backs NS2, and whose former leader, Gerhard Schroeder, now works for Gazprom. It rattled the Ost-Ausschuss Berlin-based lobby group, but the NS2 Gazprom consortium did not react to Merkel's comments.

The SPD's (German social-democrat Party) position needs clarification. The party's current Russia policy is based on *Ostpolitik*, developed and implemented in the 70's by Willy Brandt. It was a

Cold War alternative approach to “normalize” relations between East and West Germany via Russia. This “Eastern policy” was based on a deep belief and wish among the SPD that if Germany reached out to Russia, the relationship between the two countries and, by extension, between Europe and Russia could be predictable and secure. Trade was a way of binding everyone together, thus hopefully decreasing the chance of war. America was not part of this construct. Suspicion of the US still lingers today in the SPD.

Until very recently, the Moscow-Berlin relationship shaped German policy toward its Eastern neighborhood and it viewed the region through the prism of Russia, a consequence of Ostpolitik. Today the vision of a pan-European peace order is unrealistic. Russia is turning away from European norms and principles. The consequences for European security are immense and dangerous.

Internal EU Competition Commission documents reveal Gazprom’s “abusive practices... politically driven pricing as the focal point of Gazprom corporate strategy”. Charges abound that Gazprom abused its dominant position in Europe, strangling EU energy markets for years, and breaking EU antitrust rules.

With all evidence accumulating that Russia is a questionable business partner, will Merkel stop NS2? The problem again lies with the SPD. The terms of entry into the coalition with Merkel undoubtedly included building the NS2. The best she can do is water it down. But there is a problem. Why is Germany, a single state, able to dictate terms on any project that affects other EU members’ in a negative way? Where is EU unity, EU laws and standards? This is not the first time Germany has done something that benefits itself economically or, as in this case, ideologically. It should not wonder why there is resistance to Germany’s plans when it invokes EU laws, unity etc. etc.