



POLICY BRIEF

Nord Stream II: What's all the buzz about it?

VOCAL
EUROPE

*This Policy Brief was written by **Natalia Liagka** | 27 June 2019

 Rue de la Science 14, 1040 Brussels

 office@vocaleurope.eu

 + 32 02 588 00 14

Table of contents

Introduction	2
1. Conflicting views and official positions on the pipeline	2
1.1 The European Union (EU)	3
1.2 Germany	3
1.3 Ukraine.....	4
1.4 Gazprom and Russia.....	4
1.5 USA.....	5
2. Amending the Gas Directive 2009/73/EC.....	5
3. Current State of Play.....	6
4. Conclusions.....	8

VOCAL EUROPE

RUE DE LA SCIENCE 14B, 1040 BRUSSELS

TEL: +32 02 588 00 14

VOCALEUROPE.EU



[TWITTER.COM/THEVOCAL EUROPE](https://twitter.com/thevocaleurope)



[FACEBOOK.COM/VOCAL EUROPE](https://facebook.com/vocaleurope)



[YOUTUBE.COM/VOCAL EUROPE](https://youtube.com/vocaleurope)



[INSTAGRAM.COM/VOCAL EUROPE](https://instagram.com/vocaleurope)

Disclaimer and Copyright

This document is prepared for, and addressed to Vocal Europe and its audience. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of Vocal Europe. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged.

Introduction

Nord Stream II is a gas pipeline that is planned to start in Russia and end in Germany, passing through the Baltic Sea with an underwater route of approximately 1.200 km, and it will transfer 55 billion cubic meters of gas annually¹. More specifically, it is planned to cross the territorial waters of Russia, Denmark and Germany, along with the Exclusive Economic Zones (EEZ) of Germany, Russia, Sweden, Finland and Denmark².

The agreement for the pipeline was made in 2015 among Russian Gazprom and five European energy companies³. The cost of the pipeline is estimated to be around EUR 9.5 billion⁴. The construction of the pipeline has created a lot of controversy among the EU member states, with Germany and Poland being involved the most. The main objection of Poland (and the other Baltic Member States) is that the pipeline will prevent the energy security and efficiency plans of the EU⁵, a conclusion with which the USA and EU agree⁶.

On the other hand, Germany wants to proceed with the pipeline plans, considering them just part of an economic project, and is cooperating with Russia on this cause. Currently, around 57% of the project⁷ has already been concluded and the EU has put forward a revision of the Directive 2009/73/EC concerning common rules for the internal market in natural gas⁸, in an attempt to assure that the construction of the pipeline will be done according to European energy standards⁹. Could this pipeline cause a big turbulence among Member States, as well as to the EU's relations with Russia and the US?

1. Conflicting views and official positions on the pipeline

Since 2015, when the construction of the pipeline was announced, various actors in the EU have expressed their opposition towards the pipeline. In 2016, the Prime Ministers of nine EU Member States (Poland, Lithuania, Croatia, Estonia, Czech Republic, Hungary, Romania, Latvia and Slovakia) decided to send a draft letter to the European Commission President, Jean-Claude Juncker, to express their concerns on the new gas pipeline¹⁰. More specifically, their concerns were about gas and energy dependence, the environment, the geopolitical consequences of the pipeline and public procurement rules¹¹.

¹ <http://www.gazprom.com/projects/nord-stream/>

² <https://www.nord-stream2.com/construction/country-country/>

³ <https://www.nord-stream2.com/nord-stream-2-is-a-european-collaboration/>

⁴ (Ibid.)

⁵ <https://uawire.org/poland-nord-stream-2-poses-significant-threat-to-the-world-and-to-security-in-europe#>

⁶ <https://uawire.org/polish-foreign-minister-nord-stream-2-is-killing-ukraine>

⁷ <https://112.international/russia/nord-stream-2-ready-by-52-gazprom-40339.html>

⁸ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0073&from=en>

⁹ <https://data.consilium.europa.eu/doc/document/ST-14204-2017-INIT/en/pdf>

¹⁰ https://www.parlementairemonitor.nl/9353000/1/j9vvij5epmj1ey0/vk2ghltulosn?ctx=vg9pi5ooqcz3&v=1&tab=1&start_tab0=320

¹¹ https://www.parlementairemonitor.nl/9353000/1/j9vvij5epmj1ey0/vk2ghltulosn?ctx=vg9pi5ooqcz3&v=1&tab=1&start_tab0=320

1.1 The European Union (EU)

In general, the EU seems to be concerned about Nord Stream II. Many officials have expressed their thoughts on what its construction would mean for the Energy Union and whether EU energy rules and laws will be taken into consideration during construction:

In 2017, in a Press Release by the European Commission, the Commission Vice-President for Energy Union, Maroš Šefčovič, stated that this pipeline doesn't comply with the vision of the Energy Union. However, if built, it should be done in a way that is approved by the EU energy market rules¹².

Miguel Arias Cañete, Commissioner for Climate Action and Energy, stressed the importance of a legal framework: *“As any other infrastructure project in the EU, Nord Stream II cannot and should not operate in a legal void or according to a third country's energy laws only¹³.”* He also stated that there should be negotiations between the EU and Russia, so that the project won't go against the EU principles¹⁴. More specifically, he stressed the need to start negotiations with Russia in order to agree on *“a regime which will apply key principles of EU energy law to Nord Stream II to preserve the functioning of the European internal energy market¹⁵.”*

In the same Press Release, the European Commission clearly declares its position towards the pipeline¹⁶. It is stated that Nord Stream II “does not contribute to the Energy Union objectives” and reminds that there is already gas transportation infrastructure that supplies Europe with energy¹⁷. Furthermore, it underlines the possibility of “endangering existing transport routes, notably via Ukraine”¹⁸. Finally, it asks the Council of Ministers for a mandate to start negotiations for a special legal framework that would include principles of international and EU law¹⁹, by explaining the current concerns about jurisdiction and legal framework with on-shore and off-shore pipeline sections:

While any on-shore pipeline to transport the gas coming through Nord Stream II in Europe would have to be in full compliance with the EU energy rules under the so-called Third Internal Energy Market legislative package, the off-shore section of the pipeline is in a specific situation given that part of it, including its only entry point lies outside the EU jurisdiction²⁰.

1.2 Germany

For Germany, Nord Stream II is seen as a purely economic project²¹ that will bring economic benefits, with no extension to geopolitical meaning. Angela Merkel, the German Chancellor, stated that Nord Stream II doesn't necessarily mean dependency on Russia: “Are we going to become dependent on

¹² http://europa.eu/rapid/press-release_IP-17-1571_en.htm

¹³ (Ibid.)

¹⁴ (Ibid.)

¹⁵ (Ibid.)

¹⁶ http://europa.eu/rapid/press-release_IP-17-1571_en.htm

¹⁷ (Ibid.)

¹⁸ (Ibid.)

¹⁹ (Ibid.)

²⁰ http://europa.eu/rapid/press-release_IP-17-1571_en.htm

²¹ <https://carnegieeurope.eu/strategieurope/71365?lang=en>

Russia because of this second gas pipeline? My answer would be no, if we diversify our sources at the same time²²”.

Furthermore, she has stated that Germany will expand its gas terminals network: “Germany will expand its network of gas terminals in regard to liquefied gas. Meaning, for gas we do not want to be at all dependent on Russia alone²³”. Peter Altmaier, the Federal Minister for Economic Affairs and Energy of Germany, has stated that the Nord Stream II will continue to be built, respecting the revision of the Gas Directive: “We will respect everything that is set out in the [EU Gas] Directive and implement it accordingly²⁴”. Nonetheless, the pipeline has created much controversy inside Germany as well. Manfred Weber, member of the CSU German party and EPP candidate for the European Commission Presidency has expressed his desire to stop the construction of the pipeline, because he believes that it goes against the EU’s interests²⁵.

1.3 Ukraine

Ukraine is a country that economically and geostrategically could be much affected by Nord Stream II. The former Prime Minister of Ukraine, Arseniy Yatsenyuk, has made it clear that Ukraine doesn’t support the construction of the pipeline²⁶. He has stated that this project deprives billions from the revenue of Ukraine, which is a transit country, Poland and Slovakia, as well as that it contributes to a monopoly by Gazprom in the EU market²⁷.

Ukraine and Poland seem to agree on this matter and the leaders of the countries have expressed their will to cooperate, in order to support their common views²⁸. The Former President of Ukraine, Petro Poroshenko, has expressed his opposition to the Nord Stream II pipeline and has stated that it is a threat to European energy security: “We are grateful to Poland for the common position regarding the Nord Stream II. This is a threat not only to energy security of Ukraine and Poland. This is a threat for energy security of the whole Europe. This is an ‘anti-European, anti-Ukrainian, anti-Slovak, anti-Polish’ political project²⁹”. The new President of Ukraine, Volodymyr Zelensky, has also stood against the construction of the pipeline and he has stated that Ukraine and Poland should cooperate more on the energy sector³⁰.

1.4 Gazprom and Russia

On 30 January 2018, Nord Stream II AG, the company that has undertaken the construction of the pipeline based in Switzerland, published a response to the EU’s proposal to amend the Gas

²² <https://www.aa.com.tr/en/europe/merkel-defends-nord-stream-2-despite-us-disproval/1386596>

²³ <https://www.bbc.com/news/world-europe-47170420>

²⁴ <https://www.ft.com/content/7d24961a-35b5-11e9-bb0c-42459962a812>

²⁵ <https://in.reuters.com/article/eu-weber-nordstream/germanys-weber-will-block-construction-of-nord-stream-2-if-chosen-as-eu-chief-exec-paper-idINKCN1RZ0MT>

²⁶ <https://www.ukrinform.net/rubric-economy/2440580-yatsenyuk-calls-on-europe-to-oppose-nord-stream-2-project.html>

²⁷ <https://mfa.gov.ua/en/press-center/news/42962-arsenij-jacenyuk-u-bryusseli-nordstrim-2-povinen-buti-zablokovani>

²⁸ <https://mfa.gov.ua/en/news-feeds/foreign-offices-news/43238-prezidenti-ukrajini-ta-polyshhi-nagoloshujuty-na-neprijyatnosti-jenergetichnogo-projektu-pivnichnij-potik--2>

²⁹ <https://www.aa.com.tr/en/energy/energy-diplomacy/ukraine-nord-stream-ii-threat-to-europe-energy-safety/15964>

³⁰ <http://vestnikkavkaza.net/news/Zelensky-urges-Poland-to-stop-Nord-Stream-2.html>

Directive³¹, stating that it shares the concerns of European stakeholders concerning the revision of the Directive. The first concern is that “the rationale for the proposed amendment is not clear³²,” a concern based on a letter sent by Commission Vice-President for the Energy Union, Maroš Šefčovič and Commissioner for Climate Action and Energy, Miguel Arias Cañete who “explain in some detail why applying the Gas Directive to an offshore import pipeline would provoke a conflict of laws³³”. The second one, is that there will be uncertainty for investors not only for the existing but also for the future pipelines as well and finally, it states that the amendments would cause incoherence in regulations for different gas sources and this would make the EU less attractive for future investments.

1.5 USA

The U.S. President, Donald Trump has expressed his disapproval on this project between Germany and Russia: “Germany hooks up a pipeline into Russia, where Germany is going to be paying billions of dollars for energy into Russia and I’m saying, what’s going on with that? How come Germany is paying vast amounts of money to Russia when they hook up a pipeline? That’s not right³⁴”. Furthermore, according to the U.S. Department of State, Nord Stream II would lead to European dependence on Russian energy and for that reason the US supports the Southern Gas Corridor in Azerbaijan and Turkey, that could provide Europe with Caspian gas by 2020³⁵. In the briefing of Francis Fannon, Assistant Secretary at Bureau of Energy Security of the US, it is stated that with this project, Russia aims at “increasing its leverage of the West while severing Ukraine from Europe³⁶”.

2. Amending the Gas Directive 2009/73/EC

The European Commission “sees no need for new infrastructure of the magnitude of Nord Stream II³⁷”. The reason for this is that firstly, it is expected that there will be a reduction of domestic production and consumption of gas and secondly, the existing infrastructures and the competitiveness of LNG supplies after 2020 are expected to be sufficient³⁸. However, since the plans for Nord Stream II are advancing, in November 2017, the European Commission made a proposal for an amendment to Directive 2009/73/EC. The main reason for this initiative is stated to be the fact that there is a gap in the legal framework for pipelines coming from or going to third countries:

While EU law in general applies in the territorial waters and the exclusive economic zone of EU Member States, Directive 2009/73/EC1 (hereafter "the Gas Directive") does not explicitly set out a legal framework for gas pipelines to and from third countries. As a result, following legal analysis, it has been concluded that the rules applicable to gas transmission pipelines connecting two or more Member States, which fall within the

³¹[file:///C:/Users/user/Downloads/nord_stream_2_ag_response_to_the_european_commission_january_2018_vf%20\(1\).pdf](file:///C:/Users/user/Downloads/nord_stream_2_ag_response_to_the_european_commission_january_2018_vf%20(1).pdf)

³² (Ibid.)

³³ (Ibid.)

³⁴ <https://www.aa.com.tr/en/energy/finance/trump-opposes-nord-stream-ii-questions-germany/19506>

³⁵ <https://www.state.gov/r/pa/prs/ps/2018/06/283643.htm>

³⁶ <https://www.state.gov/r/pa/prs/ps/2018/12/287983.htm>

³⁷ http://europa.eu/rapid/press-release_MEMO-17-4422_en.htm

³⁸ (Ibid.)

scope of the definition of "interconnector", are not applicable to such pipelines entering the EU.³⁹

In a fact sheet with questions and answers from the European Commission, it is stated that the revision is not made to stop the construction of any new pipeline⁴⁰. This case is just the motive to cover more legal aspects concerning pipelines: "The recent legal and public debate concerning Nord Stream II only underscores the value of providing legal clarity on this issue across the EU⁴¹". The European Commission wants all major pipelines in the EU to operate with transparency and efficiency. The revised Gas Directive will be applicable to all pipelines in the EU territory.

Now, the European Institutions are trying to reach to an agreement that will lead to the amendment of the Directive. More specifically, in February 2019, the Council reached within two days a provisional agreement with the European Parliament, concerning the revision⁴² of the Gas Directive⁴³. Finally, on 14 March 2019, the Council formally adopted the amendments to the Directive. Anton Anton, Minister of Energy of Romania, stated: "I am very happy that this important file has been adopted. We worked hard to find a compromise that would be acceptable to everyone, and I think we now have a good solution which will guarantee that we have a fair and competitive European gas market⁴⁴". The new Directive will come into force twenty days after its publication in the Official Journal of the EU and then Member States will be given nine months to transpose it to their national law⁴⁵.

On 5 April 2019, a few days before the adoption of the amendments to Gas Directive, Alexander Novak, the Energy Minister of the Russian Federation, expressed his optimism that the new legislation will not cause any problem at the implementation of the project:

[...] But going by the draft submitted yesterday, it can be said that the project [Nord Stream II] will be implemented in the framework of that legislation that could be passed. All the terms of the Gas Directive will be fulfilled. In other words, it [the adoption of the Gas Directive] should not be a constraint on the project's implementation⁴⁶.

3. Current State of play

Nord Stream II has created a lot of controversy among EU and non-EU actors. Some of the arguments on this topic present the idea that Ukraine is not stable enough to assure that there will be unimpeded inflow of gas from it towards Europe. On the other hand, other actors are questioning whether Nord Stream II is actually needed and why the current infrastructure between Germany and Russia

³⁹ https://ec.europa.eu/info/law/better-regulation/initiatives/com-2017-660_en

⁴⁰ http://europa.eu/rapid/press-release_MEMO-17-4422_en.htm

⁴¹ (Ibid.)

⁴² <https://data.consilium.europa.eu/doc/document/ST-5874-2019-REV-1/en/pdf>

⁴³ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0073&from=EN>

⁴⁴ <https://www.consilium.europa.eu/en/press/press-releases/2019/04/15/council-adopts-gas-directive-amendment-eu-rules-extended-to-pipelines-to-and-from-third-countries/>

⁴⁵ <https://www.consilium.europa.eu/en/press/press-releases/2019/04/15/council-adopts-gas-directive-amendment-eu-rules-extended-to-pipelines-to-and-from-third-countries/>

⁴⁶ <http://interfax.com/newsinf.asp?y=2009&m=11&d=19&pg=58&id=896190>

shouldn't be enough to cover EU's energy needs. Moreover, the pipeline raises questions about the Union's energy efficiency and renewable energy goals for the future. Finally, there have been questions raised about the type of interests that Germany has by this pipeline and whether it is putting economic interests above the EU common goals. This controversy might cause a delay to the construction of the pipeline, but it seems that Nord Stream II won't be stopped.

Germany, whose economy is based on manufacturing, has a strong need of oil and gas. However, the country itself doesn't produce much energy; for example, in 2018, it produced only 7% of the natural gas needed⁴⁷. It heavily depends on imports and Russia is already one of the most important importers of gas⁴⁸, with Norway and the Netherlands following⁴⁹. By taking into consideration this data, some light could be shed to Germany's policy towards the pipeline.

On the other hand, Germany's participation in sanctions against Russia for the Crimea conflict, as well as the involvement of the EU (of which Germany is part) in Ukraine's hoped-for transformation, make the statement of US. President, Donald Trump about a Germany being a captive to Russia an exaggeration, according to some analysts⁵⁰.

On the other hand, Ukraine is a country located between Russia and the EU. It has a history of conflict with Russia (e.g. for Crimea and Donbass⁵¹) and also for gas⁵². Being a transit country for gas-transfer has been a great source of income and a boost for its GDP. For this reason, the construction of Nord Stream II, a pipeline that bypasses it, and the end of the contract between Naftogaz and Gazprom, could mean that the country might suffer a great loss of income and face a shift in its geostrategic position.

These concerns from Ukraine are shared by the EU and for this reason Maroš Šefčovič, the Commission Vice-President for the Energy Union and Peter Altmaier, the Federal Minister of Germany for Economic Affairs and Energy, invited Alexander Novak, the Energy Minister of Russia and Pavlo Klimkin, the Minister of Foreign Affairs of Ukraine, in Berlin, to open up discussion on what would happen in the future with the end of the contract and the finalization of the construction of the pipeline⁵³.

Furthermore, as far as energy efficiency is concerned, one could argue that dependency is bidirectional: the EU might need more energy from Russia, but at the same time Russia needs to export its gas at Europe. Consequently, it is up to the actors involved to try to create a stable and effective economic and geostrategic balance. However, despite all the efforts, it seems that this issue will continue to trouble all the actors involved and mostly the actors that are against it, since the pipeline continues being built. At the same time, it wouldn't be a surprise to see a delay to its

⁴⁷ <https://www.cleanenergywire.org/news/germanys-oil-and-gas-production-slides-2018>

⁴⁸ <https://www.cleanenergywire.org/factsheets/germanys-dependence-imported-fossil-fuels>

⁴⁹ <https://www.nytimes.com/2018/07/11/world/europe/trump-germany-russia-gas.html>

⁵⁰ <https://www.ft.com/content/37c7670e-f7d1-11e8-a154-2b65ddf314e9>

⁵¹ <https://www.cnn.com/2019/04/01/ukraine-still-hopes-to-reclaim-crimea-and-donbass-from-russia.html>

⁵² <https://www.politico.eu/article/russia-cuts-gas-to-ukraine/>

⁵³ <https://qz.com/1329732/what-is-the-eu-ukraine-russia-gas-pipeline-germany-hosts-meeting/>

construction, taking into consideration Denmark's reluctance to give its permission⁵⁴, as well as the possible sanctions that the U.S. could impose⁵⁵.

4. Conclusions

Nord Stream II is a project that has created lots of controversy. It is a sensitive subject, since it involves many actors that have different views and interests, so the balance is fragile. No matter the outcome of this project, one thing is for sure: the EU Member States should remain united and they should make efforts together, to further continue with their short- and long-term energy strategy goals. It remains to be seen in the future how, whether and to what extent the construction and the function of the pipeline will affect the economy, geostrategic power and the relations of the actors involved.

⁵⁴ <https://www.reuters.com/article/us-gazprom-nordstream-2-denmark/nord-stream-2-says-denmark-tries-to-delay-pipeline-as-it-seeks-third-route-option-idUSKCN1RR15F>

⁵⁵ <https://www.reuters.com/article/us-gazprom-nordstream-usa/trump-considering-sanctions-over-russias-nord-stream-2-natgas-pipeline-idUSKCN1TD267>

VOCAL EUROPE

RUE DE LA SCIENCE 14B, 1040 BRUSSELS

TEL: +32 02 588 00 14

VOCALEUROPE.EU



[TWITTER.COM/THEVOCAL EUROPE](https://twitter.com/thevoCALEUROPE)



[FACEBOOK.COM/VOCAL EUROPE](https://facebook.com/vocaleurope)



[YOUTUBE.COM/VOCAL EUROPE](https://youtube.com/vocaleurope)



[INSTAGRAM.COM/VOCAL EUROPE](https://instagram.com/vocaleurope)

Disclaimer and Copyright

This document is prepared for, and addressed to Vocal Europe and its audience. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of Vocal Europe. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged.