

Nord Stream 2: A Threat to Transatlantic Security

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KEY TAKEAWAYS

The Nord Stream 2 (NS2) pipeline would undermine transatlantic security, increase Russia's influence in Europe, and calcify divisions in Europe over energy sources.

Russia's continued nefarious activities, including recent cyberattacks against Solar Winds, warrant accountability, not appeasement, from the U.S.

Most of Europe, and bipartisan majorities in Congress, opposes NS2; the Administration should not capitulate on a project at odds with U.S. national interests.

Nord Stream 2 (NS2) is a natural gas pipeline that, if completed, would run from the Port of Ust-Luga in northwestern Russia, to the town of Greifswald in northern Germany. Completing NS2 is neither economically necessary nor geopolitically prudent. It would increase European dependence on Russian gas, magnify Russia's ability to use its European energy dominance as a political trump card, calcify the divisions in Europe over energy that NS2 has opened, and specifically undermine U.S. allies in Eastern and Central Europe.

While most of Europe opposes the pipeline, three influential European governments (Austria, Germany, and the Netherlands) continue to support its completion, despite an exhaustive and growing list of Russian outrages (many perpetrated on European soil). This is indicative of just how much influence gas deliveries have already given Russian leader Vladimir Putin on the continent.

This paper, in its entirety, can be found at <http://report.heritage.org/bg3625>

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For the U.S. to acquiesce to NS2's completion would be a historic mistake, squandering the significant diplomatic and political capital that it has expended to forestall NS2's harm to transatlantic security, while saddling the U.S. and Europe with a geopolitical millstone in its dealings with Russia. President Joe Biden has called Nord Stream 2 a "bad deal for Europe." He is correct. The United States should not back off its opposition to NS2 now, and instead should finish the job and ensure that gas never flows through the pipeline.

Background

NS2 is an \$11 billion pipeline project begun in 2015, which today is more than 90 percent complete, with only 70 miles of the 758-mile pipeline remaining (with the remaining sections in Danish and German waters). Nord Stream 2 AG, the project operator, is a fully owned subsidiary of Russia's state-owned energy company Gazprom.¹ NS2 is being financed by Gazprom (50 percent) along with five major European energy companies—Engie (France), OMV (Austria), Royal Dutch Shell (Netherlands), Uniper (Germany), and Wintershall Dea (Germany).

According to the Congressional Research Service, Russia accounted for 45 percent of the European Union's natural gas imports in 2019. Germany, for its part, imports 92 percent of its natural gas supplies, 35 percent of which comes from Russia. U.S. opposition to the pipeline derives from the enduring harm it represents to transatlantic security, not from a desire to bolster U.S. liquid-natural-gas (LNG) interests, as some in Europe seem to believe. This misinterpretation led German Finance Minister Olaf Scholz to reportedly offer the U.S. government financial support for new LNG import facilities in exchange for U.S. acquiescence on NS2.²

Action by the U.S. has thus far prevented the completion of the pipeline. Strong bipartisan opposition to Nord Stream 2 led in part to the inclusion of sanctions in the National Defense Authorization Act (NDAA) for fiscal year 2020. These sanctions were further expanded in the 2021 NDAA passed in December 2020. The first congressionally mandated report identifying companies that have violated U.S. laws by helping to build NS2 released in February listed no European companies for new sanctions, only Russian companies or those that had already left the project. As detailed in a second congressionally mandated report released in May, the Administration has decided to maintain sanctions on Russian vessels taking part in construction, and a few related Russian entities, but withdrew sanctions against Nord Stream 2 AG and its CEO.³

U.S. sanctions have caused 22 companies⁴ to drop out of NS2. In February 2021, construction resumed on the pipeline with Gazprom using two of its own ships—the pipe-laying *Akademik Cherskiy* and the crane ship *Fortuna*—to lay the remaining route. Just recently, Russia’s Ambassador to Germany stated the pipeline might be complete by the end of September, which would be just prior to the German federal elections.

More than a Commercial Project

While backers promote NS2 as a purely commercial project born of economic necessity, evidence for that view is tenuous at best. Even German Chancellor Angela Merkel, one of the pipeline’s foremost supporters, has admitted⁵ that NS2 is not simply an economic project but a political one. A number of high-profile European politicians have gone to work for companies affiliated with NS2, and the pipeline has increased Russia’s political influence in some sections of Europe’s business community.

There are also environmental concerns about the pipeline construction, as well as unresolved espionage and security concerns relating to the future operation of the pipeline. Reportedly, plans that “allow Nord Stream workers to use Swedish ports, including their main navy base in Karlskrona, could provide Russia with an opportunity to gain intelligence and plot espionage activities.”⁶ In addition, NS2 could be used as a pretext for Putin to undertake nefarious activities in the Baltic Sea near the shores of U.S. allies. Finally, NS2 represents not only an unresolved transatlantic fissure, but also an unresolved wedge inside Europe, which Russia drove in and is keen on exploiting further.

Most of Europe Opposes NS2. Most European nations oppose the project. In February, France stated its opposition to the pipeline following Putin’s imprisonment of opposition leader Alexei Navalny.⁷ In March, the foreign ministers of Poland and Ukraine penned a joint editorial calling on President Biden to “use all means at his disposal to prevent the project from completion.”⁸ There is also significant opposition within those nations whose governments support NS2. The German Green Party is opposed,⁹ with the party’s leader recently targeted in a suspected Russian cyberattack.¹⁰ Similarly, a number of influential members of the German governing CDU/CSU party, including Norbert Röttgen, chair of the Bundestag Foreign Affairs Committee, oppose NS2.¹¹ The European Commission has also reiterated that “Nord Stream-2 is not a project of common European interest. It does not contribute to achieving the targets we have set ourselves.”¹² However, the commission has said it lacks the legal means to stop construction.

Not Necessary for European Energy Supplies. Russia already has more than enough pipelines to meet European demand.¹³ Furthermore, natural gas demand in the EU is projected to decline over the coming years, at 8 percent lower in 2030 than in 2019.¹⁴ The decision, therefore, to build a second Baltic Sea pipeline makes no commercial sense. In Germany, analysts have recently stated that the pipeline “isn’t essential for maintaining Germany’s energy security,” and that it is “environmentally destructive and commercially inefficient.”¹⁵

Europe has also been investing in LNG-import terminals, and now has 30, allowing it to import LNG from across the globe. Nord Stream 2 would be a tool for Russia to stifle competition from other countries’ LNG, which has made strides in the European market in recent years, and given European nations leverage to negotiate lower prices from Gazprom.

Would Hurt U.S. Allies in Eastern Europe in Particular. In addition to undersea pipelines, Russian gas transits to Europe via overland routes, including through the Baltic states and Ukraine. NS2 would benefit Russia by staunching the flow of transit fees currently collected by Eastern European nations like Ukraine—money that Kyiv uses to defend itself in the ongoing, Russian-supported war in Ukraine’s Donbas region. In 2020, 56 billion cubic meters of gas arrived in Europe via Ukraine.¹⁶ Losing that flow and the subsequent transit fee losses could cost Ukraine as much as 3 percent of its gross domestic product.¹⁷ Vladimir Putin’s June statement that Ukraine will need to show “good will” to ensure the continuance of overland Russian gas transit is a foretaste of what is to come.¹⁸

A Third-Way NS2 Off-Ramp Option Is a Chimera

Some on both sides of the Atlantic are considering mechanisms that would allow the pipeline to be completed, while purportedly reining in Russia and assuaging the concerns of Eastern European nations. For example, supposed buttresses, such as “snapbacks” or resolutions, are to shut off NS2 if Russia engages in further misbehavior. Yet, these mechanisms are bulky, unproven, and, indeed, extremely unlikely to be used once the pipeline is up and running. Furthermore, history has shown that any Russian assurances granted in negotiations cannot be trusted, especially once NS2 is completed. The U.S. should not let its desire for public comity with certain European allies lead it to back off on pressuring companies taking part in building NS2.

Moscow is in an all-out sprint to pull NS2, a geopolitical Trojan horse, across the finish line. There is no magical fix that pleases all—only the cold reality of what is in the U.S. national interest: ending NS2. The longer the

U.S. continues a doomed search for a third-way off-ramp, the more likely Nord Stream 2 completion will be a reality by the fall.

Not the Only Problematic Pipeline Project in Europe

The TurkStream project (originally called Turkish Stream), launched in January 2020, brings Russian gas to Turkey via a pipeline under the Black Sea. Additional pipelines running northward into Bulgaria, Hungary, and Serbia are being constructed, with some sections already completed. The TurkStream pipeline and planned lines feeding gas into the rest of Europe serve multiple purposes: As a new entry point for Russian gas into Europe, the pipelines will strengthen Moscow's grip on the continent's energy needs, thus increasing its future geopolitical leverage, while further allowing Russia to bypass overland pipelines routes. Russia has moved quickly to weaponize the pipeline, for example, recently in the Western Balkan nation of Bosnia and Herzegovina.¹⁹ TurkStream has also had a corroding effect, as shown, for example, by recent alleged corrupt activities in Bulgaria related to the project's construction and permitting.²⁰

Time to Checkmate NS2

Robust bipartisan opposition to NS2 in Congress, as well as opposition by the Trump Administration, combined for a remarkably successful policy impact that arrested the completion of the pipeline. Now is not the time for the U.S. to return to defeatism on NS2, but time for a final push.

The Biden Administration should:

- **Use all tools at its disposal to stop NS2.** The Biden Administration should not let its desire for public comity with Germany lead it to back off on pressuring European companies taking part in building NS2. America's multifaceted, deep, and long-standing bilateral relationships with allied governments who support NS2—Austria, Germany, and the Netherlands—are robust enough to withstand U.S. opposition to the pipeline.
- **Remember that most of Europe opposes NS2.** The vast majority of European nations, the European Commission, and a sizeable number of the German, Austrian, and Dutch publics oppose NS2. Stopping NS2 is not anti-European.

- **Hold Russia accountable.** At a time when the United States is seeking to respond to Russia for a litany of offenses including the recent brazen, expansive, and extraordinarily damaging cyberattacks against Solar Winds, and attacks against the Colonial Pipeline by Russian-based hackers, backing off from NS2 would be a puzzling mistake—one that Moscow would read as a message of appeasement.

Congress should:

- **Encourage the Biden Administration to maintain U.S. policy on NS2.** Bipartisan opposition to NS2 in Congress has driven successful outcomes to date. Congress should maintain this robust opposition, and make it known to the President that it does not view the pipeline's completion, nor a lessening of sanctions pressure, as being in the U.S. national interest.
- **Not lose sight of Europe's complete energy picture.** While NS2 is a troubling geopolitical project, TurkStream likewise undermines transatlantic security. The U.S. and Europe should support projects that help to diversify Europe's energy supply, especially the Trans-Caspian Pipeline.²¹
- **Fully support the Three Seas Initiative (3SI).** Energy is a key pillar of the 3SI, and one that can help to strengthen the resilience of energy infrastructure in Central and Eastern Europe. Congress should continue to strongly support the initiative, and look to it as a keystone of U.S. engagement on the continent.²²

Conclusion

Completion of NS2 will harm transatlantic security for decades to come. It is neither economically necessary nor geopolitically prudent. Should it choose to do so, the U.S. has the ability to stop the pipeline from ever being completed. The U.S. should not let a desire to reset relations with certain allies, or with Russia, overshadow U.S. national interests. The U.S. should stand with Europe and end the pipeline—once and for all.

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