

# Nord Stream 2 Is Complete—What Now?

## THE ISSUE

Nord Stream 2 (NS2), the hotly contested natural gas pipeline from Russia to Germany, was completed in September, though it has not yet begun operations. The pipeline is neither economically necessary nor geopolitically prudent. If it becomes operational, NS2 will increase European dependence on Russian gas, thereby magnifying Russia's ability to use its European energy dominance as a political trump card; calcify divisions in Europe over energy that NS2 construction has opened; and undermine U.S. allies in Eastern and Central Europe.

While most of Europe opposes the pipeline, Germany, Austria, and The Netherlands have supported it, despite a growing list of Russian outrages (many perpetrated on European soil). This is indicative of just how much influence gas deliveries already give Russian President Vladimir Putin on the continent.

The Biden Administration's decision to acquiesce to the completion of NS2 is a historic mistake, which squandered the significant diplomatic and political capital that had been expended to forestall NS2's harm to transatlantic security. If it becomes operational, NS2 will saddle the U.S. and Europe with a geopolitical millstone in its dealings with Russia. In February, President Joe Biden had called NS2 a bad deal for Europe. He was correct.

## BACKGROUND

Construction of NS2 began in 2015. Russia's state-owned energy company Gazprom owns, in its entirety, the subsidiary Nord Stream 2 AG, the project operator. NS2 is financed by Gazprom (50 percent) and five major European energy companies.

General U.S. opposition to the pipeline derives from the harm that NS2 represents to transatlantic security. Strong bipartisan support led to the inclusion of sanctions in the 2020 and 2021 National Defense Authorization Acts. U.S. sanctions caused 22 companies to drop out of NS2. Action by the U.S. had temporarily halted construction.

In February, construction restarted with just 46 miles remaining. In May, President Biden signaled acquiescence to the pipeline's competition by withdrawing sanctions against Nord Stream 2 AG and its CEO in a misguided effort to reset relations with Germany. Desperately searching for an off-ramp, the Biden Administration found one in July in the form of a U.S.–German agreement on measures, which purports to mitigate the negative impacts of the pipeline. The agreement, however, is a hollow diplomatic gesture that fails to provide the necessary tools to punish impending Russian aggression and energy coercion.

**More than a Commercial Project.** NS2 represents not only an unresolved transatlantic fissure, but an unresolved wedge within Europe, which Russia drove in and is keen on exploiting. While backers promote NS2 as a purely commercial project born of economic necessity, evidence for that view is tenuous. Some high-profile European politicians have gone to work for companies affiliated with NS2, and the pipeline has increased Russia's political influence in Europe's business community. The pipeline's construction raised environmental and transatlantic security concerns.

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This paper, in its entirety, can be found at <http://report.heritage.org/fs220>

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## MOST OF EUROPE OPPOSES NS2

Nearly all European nations, the European Commission, and a sizeable portion of the German, Austrian, and Dutch publics oppose NS2. Stopping NS2 is not anti-European.

**Not Necessary for European Energy Supplies.** Russia already has more than enough pipelines to meet European demand. Furthermore, natural gas demand in the EU is projected to be 8 percent lower in 2030 than in 2019. Therefore, to build a second Baltic Sea pipeline makes no commercial sense. German analysts stated that the pipeline “isn’t essential for maintaining Germany’s energy security,” and that it is “environmentally destructive and commercially inefficient.”

**Hurts 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 benefits Russia by staunching the flow of transit fees collected by Ukraine—money that Kyiv uses to defend itself in the ongoing Russian-supported war. Gazprom is already booking only 35 percent of the offered additional capacity via overland routes to Poland for November, and none via Ukrainian overland routes.

## BIDEN ADMINISTRATION TRADED NATIONAL INTEREST FOR WORTHLESS AGREEMENT

The U.S.–German agreement promises “unspecified actions” if Russia once again ramps

up its energy coercion. This language assures Putin that any new aggression will receive no response, or a merely symbolic one.

The agreement also falls short in its assistance to Eastern European countries most affected by the pipeline’s completion, especially Ukraine. Germany’s promise to help to extend Russia’s gas transit agreement with Ukraine is a promise to *try*. History has shown that no Russian assurances granted in negotiations can be trusted. Furthermore, a planned German “green fund” for Ukraine, even if fully funded, has no guarantee of success, nor is it clear that Ukrainian energy transition is supported by Ukrainians themselves. Finally, the paltry sums promised by Germany to assist in energy transition pale in comparison to Ukraine’s losses from declining transit fees.

## HURDLES FOR NS2 OPERATION STILL TO BE MET

Physical completion of the pipeline does not necessarily mean that it will become operational. The pipeline must pass technical and regulatory certification, obtain insurance, and traverse a slew of impending legal challenges. Russia is using high energy prices and historically low gas reserves in Europe to push for swift certification. The U.S. has tools to prevent NS2 from becoming fully operational, which it should use without delay.