

# 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, with the certification process suspended in November. A new round of Russian aggression, combined with a new German government, has left NS2 imperiled.

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 correctly called NS2 a bad deal for Europe.

Despite the Biden Administration's earlier acquiescence, a shifting landscape in Europe

has left the U.S. in striking position to deliver the *coup de grâce* to the project, an opportunity that the U.S. should not squander.

## 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.

Physical completion of the pipeline does not necessarily mean that it will ever become operational. The pipeline must pass technical and regulatory certification, obtain insurance, and traverse a slew of impending legal challenges. In November, Germany's Federal Network Agency suspended the certification process due to the NS2 operating company not meeting conditions as an "independent transmissions operator."

The decision to suspend came in the midst of ongoing Belarussian, Russian hybrid attacks against Latvia, Lithuania, and Poland via the weaponization of migrants. Since that time, Russia has stepped up pressure against Ukraine, amassing forces along its border with Ukraine, threatening further invasion unless the U.S. and its allies make steep concessions.

**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 also raised environmental and transatlantic security concerns.

### 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.

**A window of opportunity.** Renewed Russian aggression over the past two months has led to renewed concerns over the project, as well as a potential rethink of support within Germany. The new government in office since early December has yet to land on a unified position toward NS2, and strong opposition exists within the governing coalition. Regarding Russian threats to Ukraine, new German Foreign Minister Annalena Baerbock warned in December: "In the event of further escalation this gas pipeline could not come into service." Certification will almost certainly not be granted in the first half of 2022, leaving a window of opportunity to stop NS2 once and for all.

**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. 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 has sought to squeeze Ukraine, cutting overland gas transit

volumes via Ukraine to a two-year low. Russia has kept its gas volumes to Europe low, leading to steep price jumps. While cutting overland shipments, Russia has offered gas deliveries via NS2 (which is already filled with gas) as an antidote to rising gas prices. Russia is testing European Union wherewithal to eschew a Faustian bargain by driving up energy costs for the publics in Europe.

### 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.

**Time to end NS2 once and for all.** Russia is using high energy prices and historically low gas reserves in Europe to push for swift certification of NS2. At the same time, Putin's continued bellicosity has served to crystallize a rethink in some corners of Europe over the long-term wisdom of an operational NS2. The U.S. has tools to prevent NS2 from becoming operational, and recent Russian overreach has opened a window of opportunity for the U.S. to wield them more effectively. The U.S. should do so without delay.