



Wilfried  
**Martens Centre**  
for European Studies

European Energy Security

**IN FOCUS**

The Case Against  
Nord Stream 2

April 2018

## Summary

Dimitar Lilkov  
and  
Roland  
Freudenstein

The Nord Stream 2 project aims to double the capacity Russia currently possesses for delivering natural gas directly to Germany through the Baltic Sea. This paper provides an overview of the current developments surrounding the project and of opposition to the pipeline by the European Commission and a growing number of EU member states. It goes on to analyse the risks involved in the new gas infrastructure and argues that Nord Stream 2 would be detrimental to the energy security of a number of Central and Eastern European member states and of Ukraine. The paper contends that while the pipeline offers uncertain economic gains, it would dangerously weaken the EU's strategic goals in Eastern Europe, disrupt the European Energy Security Strategy and damage member state unity. Ultimately, the new German government should recognise this and take the necessary measures to stop Nord Stream 2.

**Keywords** Nord Stream 2 – Energy security – Gazprom – European Energy Union – Gas Directive – Ukraine



# Background

---

The Nord Stream 2 pipeline (NS 2) was officially announced in June 2015 with the signing of a memorandum of intent on the future completion of a gas transport infrastructure from the Russian Federation to Germany via the Baltic Sea (Fig. 1). The financing agreement between Gazprom and five European energy companies<sup>1</sup> was confirmed in April 2017 with pledges by all parties to provide the €9.5 billion the project is estimated to cost. NS 2 is expected to have an annual capacity of 55 billion cubic metres (bcm) of natural gas and to link Ust Luga, Russia with Greifswald, Germany over an underwater route of approximately 1,200 kilometres. The project is planned to double the volume of the existing Nord Stream 1 (NS 1) pipeline, with the total volume of both ventures being a maximum of 110 bcm per year.<sup>2</sup> Currently,<sup>3</sup> the project is still at the stage of receiving the required permits and environmental impact assessments. Gazprom has set late 2019 as the target date for completion. Part of the natural gas delivered is expected to be transferred on to adjacent EU member states through Germany's domestic gas network. In the coming decade, domestic production of natural gas is expected to fall in Norway, the Netherlands and the UK. Against this backdrop NS 2 is being promoted as a solution to the EU's growing gas demand in the near future.<sup>4</sup> Additionally, project proponents argue that the reinforced pipeline capacity would contribute to lower gas prices for Western European industry and households, as well as increase the security of energy supply on the Continent.<sup>5</sup>

---

<sup>1</sup> ENGIE (France), OMV (Austria), Shell (UK/Netherlands), Uniper (Germany) and Wintershall (Germany).

<sup>2</sup> As a reference point it can be noted that average annual domestic gas consumption is 80 bcm in Germany, 16 bcm in Poland and 3 bcm in Bulgaria.

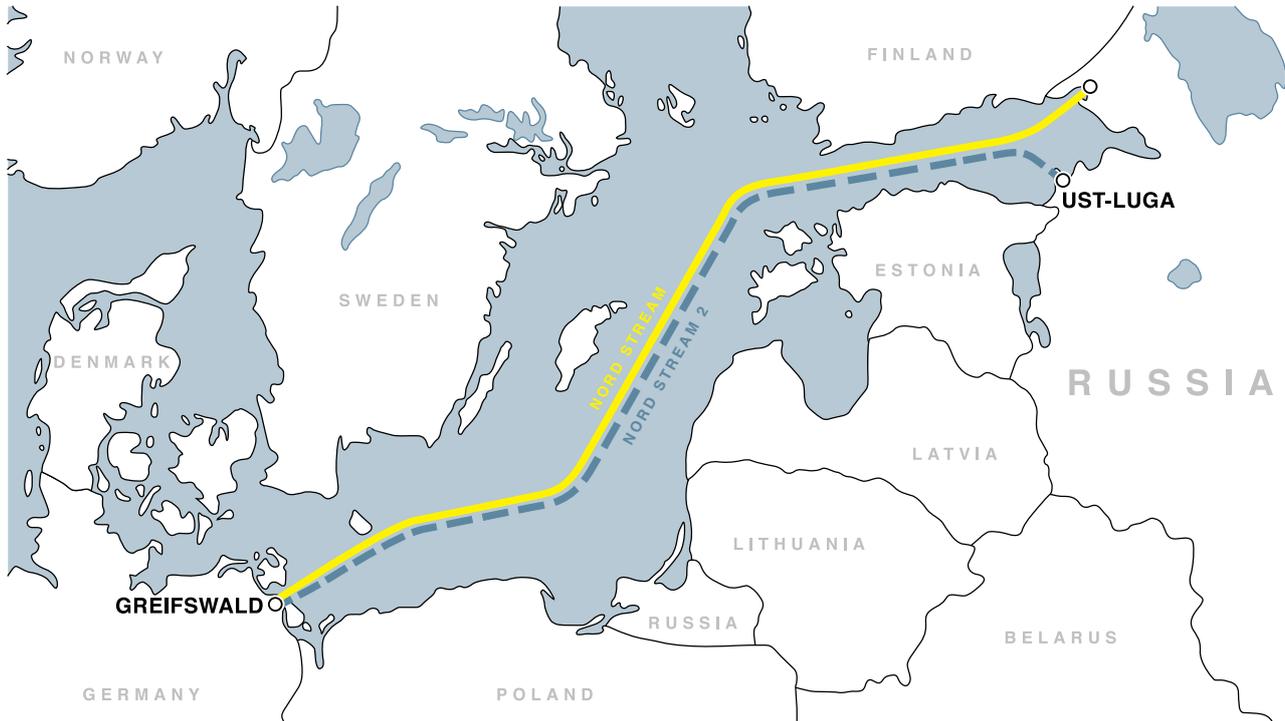
<sup>3</sup> This paper was finalised in late March 2018.

<sup>4</sup> Nord Stream 2 AG, 'Gas Market Outlook: A New Pipeline for Europe's Energy Future' (May 2017).

<sup>5</sup> A. Barnes, *Nord Stream 2: Friend or Enemy of Energy Security in Europe?*, CEPS Policy Insights no. 2017/46 (21 December 2017), accessed at <https://goo.gl/qq6Qxh> on 21 March 2018.



Figure 1 Nord Stream 2: planned route



Source: Gazprom official website, 'Route map of Nord Stream and Nord Stream 2'

Gazprom has pledged to guarantee 50% of the project funding and will be the sole shareholder in the project. Although technically a private company, Gazprom remains owned by the Russian government and is used as an important tool in advancing the Kremlin's economic and geopolitical interests abroad. Various international actors have often been confronted with the company's monopolistic practices and have struggled to convince Russia to agree to liberalise its energy sector. The current state of affairs is succinctly

described in a statement reportedly made by Vladimir Putin: 'We intend to retain state control over the gas transport system and over Gazprom. We will not split Gazprom up. And the European Commission should not have any illusions. In the gas sector they will have to deal with the state.'<sup>6</sup>

---

**Serious doubts remain about the purely economic rationale that has been set forth for NS 2 and about Moscow's final aim for the project**

---

Serious doubts remain about the purely economic rationale that has been set forth for NS 2 and about Moscow's final aim for the project. Nord Stream 2 AG, the company that is overseeing the implementation of the project, is currently managed by Matthias Warnig, who is a former Stasi officer and part of Vladimir Putin's

---

<sup>6</sup> Quoted in M. Fredholm, *Gazprom in Crisis: Putin's Quest for State Planning and Russia's Growing National Gas Deficit*, Conflict Studies Research Centre, Russian Series 06/48 (October 2006), 1.



inner circle.<sup>7</sup> The project aims, ultimately, to fully circumvent Ukraine as a transit country for natural gas delivery and to transport most of the gas that Russia sends to Europe directly to Germany. The launch of NS 1 in 2011–12 was followed by a substantial decrease in the gas transmitted through the Ukrainian pipeline network (see below).

## Opposing views

---

Throughout 2016 and 2017, various EU actors responded critically to the announcement of NS 2. Nine heads of state and government from Central and Eastern Europe (CEE) formally objected to the construction of the pipeline on account of its ‘destabilising geopolitical consequences’, which could jeopardise energy security in the region.<sup>8</sup> Additional concerns were voiced by European Council President Donald Tusk, who stressed that new infrastructure projects should fall in line with the European Energy Union objectives and comply with the relevant legislation in the Third Energy Package.<sup>9</sup> Gazprom denies that the project would have this sort of geopolitical impact. It insists that the pipeline is a purely commercial endeavour which should be regulated through international intergovernmental agreements without any form of EU scrutiny. The view that NS 2 is an economic project has been reiterated by the German government. At an official meeting with Vladimir Putin, then Vice-Chancellor Sigmar Gabriel declared that it should remain a business project under the sole competence of Germany and that ‘opportunities for external meddling will be limited’.<sup>10</sup>

The project has been supported from the start by the Social Democratic Party of Germany (Sozialdemokratische Partei Deutschlands, SPD) and officially endorsed by a number of the party’s leading figures. The NS 1 project was fully backed by former German Chancellor Gerhard Schröder. It was he who negotiated the deal, and shortly before he left office, he even agreed to a generous German loan guarantee to secure the project’s future.<sup>11</sup> Schröder sat on the Board of Directors of Nord Stream AG and is currently the Chairman of the Russian state–controlled oil producer Rosneft. The deeper reasons for

---

<sup>7</sup> E. Lucas, *The New Cold War: Putin’s Russia and the Threat to the West* (New York: Palgrave Macmillan, 2008), 169.

<sup>8</sup> A. Rettman, ‘Eastern EU Leaders to Warn Juncker on Nord Stream II’, *EuObserver.com*, 17 March 2016, accessed at <https://euobserver.com/foreign/132726> on 27 February 2018.

<sup>9</sup> D. Tusk, ‘Report by President Donald Tusk to the European Parliament on the Outcome of the December European Council’, report to the European Parliament on 19 January 2016 (January 2016), accessed at <https://goo.gl/udDd9A> on 21 March 2018.

<sup>10</sup> Official Internet Resources of the President of Russia, ‘Meeting with Vice-Chancellor Sigmar Gabriel’, Official Transcripts, accessed at <http://en.kremlin.ru/events/president/news/50582> on 23 March 2018.

<sup>11</sup> E. Lucas, *The New Cold War*, 166.



---

**With Ostpolitik being the SPD's only contribution to global politics, the inclination to appease and a certain resilience to the brutal facts about the Kremlin have become part and parcel of the party's identity**

---

the SPD's obsession with maintaining a cooperative approach in Germany's dealings with the Kremlin, even and especially after 2014, merit attention but go beyond the scope of this paper. Suffice it to say that the idea of a modernisation partnership between the West and Putin's Russia is obviously rooted in Ostpolitik. With Ostpolitik being the SPD's only contribution to global politics,<sup>12</sup> the inclination to appease and a certain resilience to the brutal facts about the Kremlin have become part and parcel of the party's identity, being deeply rooted in the outlook of its members and voters. There remains a limited chance that the new generation of SPD leaders now entering the government in Chancellor Merkel's fourth term will be less affected by these factors.

## A legal void?

---

NS 2 would pass through the territorial waters and/or the exclusive economic zones of Finland, Sweden, Denmark and Germany. Therefore, it must be asked whether the new gas infrastructure is subject to the EU *acquis*, and more specifically, to the established rules of the 2009/73/EC Directive on natural gas (the Gas Directive). In previous legal proceedings the European Court of Justice has indicated that the rules laid down in specific EU legislation in other policy

---

**Applying the Gas Directive to NS 2 would mean that Gazprom would have to comply with provisions for ownership unbundling, third-party access and non-discrimination in tariff setting**

---

areas are to be implemented in the exclusive economic zones of the member states concerned.<sup>13</sup> The European Commission has raised this issue numerous times, arguing that the Gas Directive should be fully applicable and that NS 2 cannot be constructed in a 'legal void'<sup>14</sup> or in a context in which different parts of the pipeline would be governed by different legal regimes. Applying the Gas Directive to NS 2 would mean that Gazprom would have to comply with provisions for ownership unbundling, third-party access and non-discrimination in tariff setting. At present NS 2 does not comply with these provisions; moreover, compliance might throw the feasibility of the whole project into question. To meet these requirements, NS 2 would have to offer some of

---

<sup>12</sup> R. Freudenstein, 'Why There Will Be No Helsinki II—And Why Confidence Building with Putin's Russia Is a Bad Idea', *European View* 15/1 (May 2016), 6.

<sup>13</sup> Case C-6/04, *European Commission v. United Kingdom* [20 October 2005] ECLI:EU:C:2005:626 and Case C-111/05, *Aktiebolaget NN v. Skatteverket* [29 March 2007] ECLI:EU:C:2007:195.

<sup>14</sup> M. Šeščovič, 'Speech by Vice-President Maroš Šeščovič on "Nord Stream II: Energy Union at the Crossroads"', speech made at the European Parliament on 6 April 2016, SPEECH/16/1283 (6 April 2016), accessed at <https://goo.gl/c8jgwG> on 23 March 2018.



the gas it delivers each year to third parties and to comply with the provision that the pipeline owner and the gas supplier cannot be the same legal entity (ownership unbundling). The European Commission claims that these rules are fully applicable to new gas infrastructure entering the internal energy market of the EU through member state waters. Furthermore, the Commission holds that the project may go against the Energy Security Strategy and the goals of the recently established European Energy Union.<sup>15</sup> According to Commission President Juncker, NS 2 raises questions that go beyond legal matters since it could ‘alter the landscape of the EU’s gas market while not giving access to a new source of supply or a new supplier’.<sup>16</sup>

## Institutional tug of war

---

Confronted with all of these concerns and under pressure from CEE member states, in mid-2017 the European Commission decided to approach the issue directly. It asked the Council of the EU for a negotiating mandate to communicate with Russia so that it could address possible regulatory problems and represent the EU’s interests in the matter. In its assessment of the issue that followed, the Council Legal Service disagreed with the European Commission, stating that the Gas Directive is not applicable and that NS 2 does not fall into an area of exclusive Union competence, and thus that there is no legal basis for granting a negotiating mandate to the European Commission.<sup>17</sup> In November 2017 the Commission responded by proposing that the original 2009 Gas Directive should be amended to clarify this ambiguity and to ensure that the regulation does apply ‘to all gas pipelines to and from third countries up to the border of the EU’s jurisdiction’.<sup>18</sup> With this unconventional move the Commission is trying to ensure it has the necessary legal backing to justify its intervention to possibly influence the future development of the project. It is interesting to observe that the institution is venturing to gain political clout and to possibly influence an intergovernmental project with a third country through its legislative agenda-setting privilege. The proposal is currently in the pipeline of both the European Parliament and Council, which will consider these amendments later in 2018.

---

<sup>15</sup> European Commission, *Third Report on the State of the Energy Union*, Communication, COM (2017) 688 final (23 November 2017).

<sup>16</sup> G. Baczynska and A. de Carbonnel, ‘EU’s Juncker Says Doubts over Nord Stream 2 Pipeline Plan “Beyond Legal”’, *Reuters.com*, accessed at <https://goo.gl/GbE2mU> on 21 March 2018.

<sup>17</sup> Council of the European Union, ‘Opinion of the Legal Service’, 12590/17 (27 September 2017).

<sup>18</sup> European Commission, ‘Energy Union: Commission Takes Steps to Extend Common EU Gas Rules to Import Pipelines’, Press Release (8 November 2017).



# Beyond legal arguments

---

It is unclear whether the amendments proposed by the European Commission will be adopted and, even if they are, whether the Gas Directive will be amended before NS 2 is constructed. An October 2016 European Parliament resolution on the EU strategy for liquefied natural gas describes NS 2 as harmful to energy security on the Continent and as going against the attempts to diversify supply sources. The text further specifies that doubling the current gas capacities of NS 1 would go against Europe's interests; moreover, it would 'give one company a dominant position on the European gas market'.<sup>19</sup> Given that this political sentiment is shared by a number of MEPs, there will most probably be a plenary majority in the European Parliament for the adoption of the European Commission's proposal before the current Parliament's term of office expires. The situation within the Council of the EU remains more uncertain. Germany and Austria have indicated their strong support for the project, whereas the UK, France and Netherlands (whose energy firms are part of the financial venture) have not indicated their official position on NS 2. If these member states vote against the proposal, or abstain, a blocking minority could be formed within the Council, which would prevent the final amendment of the Gas Directive.

Even if the European Commission is successful in its effort to amend the Directive, it is unclear what the actual effect would be. Gazprom might delay future talks or try to comply with these new provisions. Either move would have the effect of postponing but not cancelling NS 2. The bona fide endeavour of the Commission to ensure predictability and minimise the negative effect of NS 2 is welcome, but it is not sufficient given the long-term impact of the project. This paper argues that the Commission's effort will probably not succeed and that the institution is attempting to use legal manoeuvres to intervene in a complicated geopolitical case which can only be solved by high-level political agreement.

---

**Even if the European Commission is successful in its effort to amend the Directive, it is unclear what the actual effect would be**

---

---

<sup>19</sup> European Parliament Resolution on EU strategy for liquefied natural gas and gas storage, 2016/2059(INI) (25 October 2016).



# Is there an economic justification for Nord Stream 2?

---

NS 2 has been marketed as a new, much-needed infrastructure which will meet the growing gas demand across the EU in the future. It is true that a decrease in domestic gas production in Europe is expected in the next decade. But does the Continent really need new gas infrastructure from Russia?

First of all, while Gazprom has predicted a shortage of 120 bcm<sup>20</sup> in the next two decades, this figure might be an overestimate. In 2008 the company tried to justify the need for NS 1 by predicting that in 2015 the EU's demand for imported gas would total 536 bcm.<sup>21</sup> However, the actual figure for 2015 turned out to be close to 300 bcm. Second, even if there is a shortage of natural gas which must be met by importing gas from Russia, there is sufficient existing gas infrastructure to accommodate such transfers. At the moment, the Ukrainian gas transit system from Russia to the EU is being used at 50% of its maximum capacity. It could be used if additional imports were required. European Commissioner Maroš Šefčovič has argued that if all the pipeline and liquefied natural gas projects planned for the next decade are carried out, the EU will land up with an import capacity that is twice the size of its actual needs. Third, with the price of renewables falling and with the prospects of increased liquefied natural gas imports from the US and Qatar, it is questionable whether the EU will need standard

gas pipelines in the coming decades. These trends and the abundance of existing gas infrastructure mean that NS 2 can be seen as an incautious investment which could become a stranded asset in the long run.

NS 2 makes commercial sense mostly for Germany and Russia, and for several countries in north-western Europe which would benefit if the price of natural gas falls as a result of the project. Moscow would be able to strengthen its market position in this region by promising a secure line for the direct delivery of gas,

---

**These trends and the abundance of existing gas infrastructure mean that NS 2 can be seen as an incautious investment which could become a stranded asset in the long run**

---

<sup>20</sup> Nord Stream 2 AG, 'Gas Market Outlook', 25.

<sup>21</sup> Nord Stream AG, 'Independence of Environmental Impact Assessment for Nord Stream Assured', Press Release (Brussels, 29 January 2008), accessed at <https://goo.gl/KmjzJq> on 23 March 2018.



possibly at a lower price. Ultimately, the pipeline would be utilised within an EU which already has abundant gas infrastructure and has committed itself to reducing dependence on fossil fuels in the coming decades. There is a real risk that NS 2 will become a dead project buried below the Baltic Sea.

## Energy dependence

---

Accounting for 40% of the gas the EU imports from outside the Union, the Russian Federation remains the EU's top supplier of natural gas, followed by Norway and Algeria. The problem with Russian gas imports is exacerbated by the dependence of a number of CEE and Baltic countries on gas delivered by Gazprom.<sup>22</sup> Doubling the capacity of NS 1 could completely alter the delivery pattern of Russian gas imports to the EU. The fully operational NS 2 would make Germany the potential recipient of the majority share (70%–80%) of the gas Russia exports to the EU. The single gas corridor to Greifswald could replace the Eastern entry points and turn Germany into a major gas hub for the Continent. The abundance of directly transported gas would arguably lower the price of the resource for Germany, but it would have a detrimental effect for most CEE member states. The Eastern market would face higher prices for gas. Moreover, it would find its negotiating position weakened relative to that of Gazprom, which would have the option of diverting its supply to NS 2 and cutting down on the gas delivered through Ukraine.

Quite unlike the Soviet Union, which usually honoured its contractual obligations, post-Soviet Russia has a track record of regularly using energy as a means of coercion. A report by the Swedish Research Defence Agency concluded that the majority of the 55 supply interruptions to Russia's near abroad between 1991 and 2006 were driven by political or economic factors.<sup>23</sup> Lithuania in 2006 is a case in point: when the Lithuanian government approved the sale of a formerly Yukos-owned refinery to a Polish company, instead of to Lukoil as intended by the Kremlin, Moscow announced pipeline problems for oil deliveries.<sup>24</sup>

---

<sup>22</sup> Countries that receive more than 80% of their annual consumption of natural gas from Russia: Bulgaria, the Czech Republic, Estonia, Finland, Hungary, Latvia, Lithuania and Slovakia.

<sup>23</sup> J. Hedenskog and R. L. Larsson, *Russian Leverage on the CIS and the Baltic States*, Swedish Defence Research Agency (Stockholm, 2006), 46.

<sup>24</sup> A. Grigas, *Legacies, Coercion and Soft Power: Russian Influence in the Baltic States*, Chatham House, The Means and Ends of Russian Influence Abroad Series (August 2012), 4.



Certainly, it would be incorrect to claim that Gazprom would redirect gas flows away from CEE countries overnight — long-term legal commitments prevent the company from doing so. However, the ability to redirect most of its supply to Germany would give the Russian Federation potential leverage in future negotiations on bilateral contractual agreements and price setting. Russia has used the asymmetric energy dependency to its strategic advantage in advancing its political and economic interests in the CEE region. In 2015 the European Commission started proceedings against Gazprom for abusing its dominant market position by unfair price setting and partitioning gas markets in CEE (Fig. 2). The above-mentioned vociferous protest of most CEE and Baltic states against NS 2 reflects legitimate concerns that the project would harm their national interests and jeopardise energy security.

---

**Russia has used the asymmetric energy dependency to its strategic advantage in advancing its political and economic interests in the CEE region**

---

Through the Energy Security Strategy of 2014<sup>25</sup> and the established European Energy Union, the EU member states have made a strong commitment to, among other things, diversifying external suppliers and the related infrastructure, and speaking with one voice on external energy policy. NS 2 is clearly at variance with both objectives. The reinforced import capacities would strengthen Gazprom's position within the European gas market and reduce energy security for CEE countries, which would face lower supplies of natural gas through the existing networks. The launch of the NS 2 pipeline after 2019 would go completely against all current efforts to improve energy security and diversify supply sources. The success of the project could derail the goals of the European Energy Security Strategy.

---

**The success of the project could derail the goals of the European Energy Security Strategy**

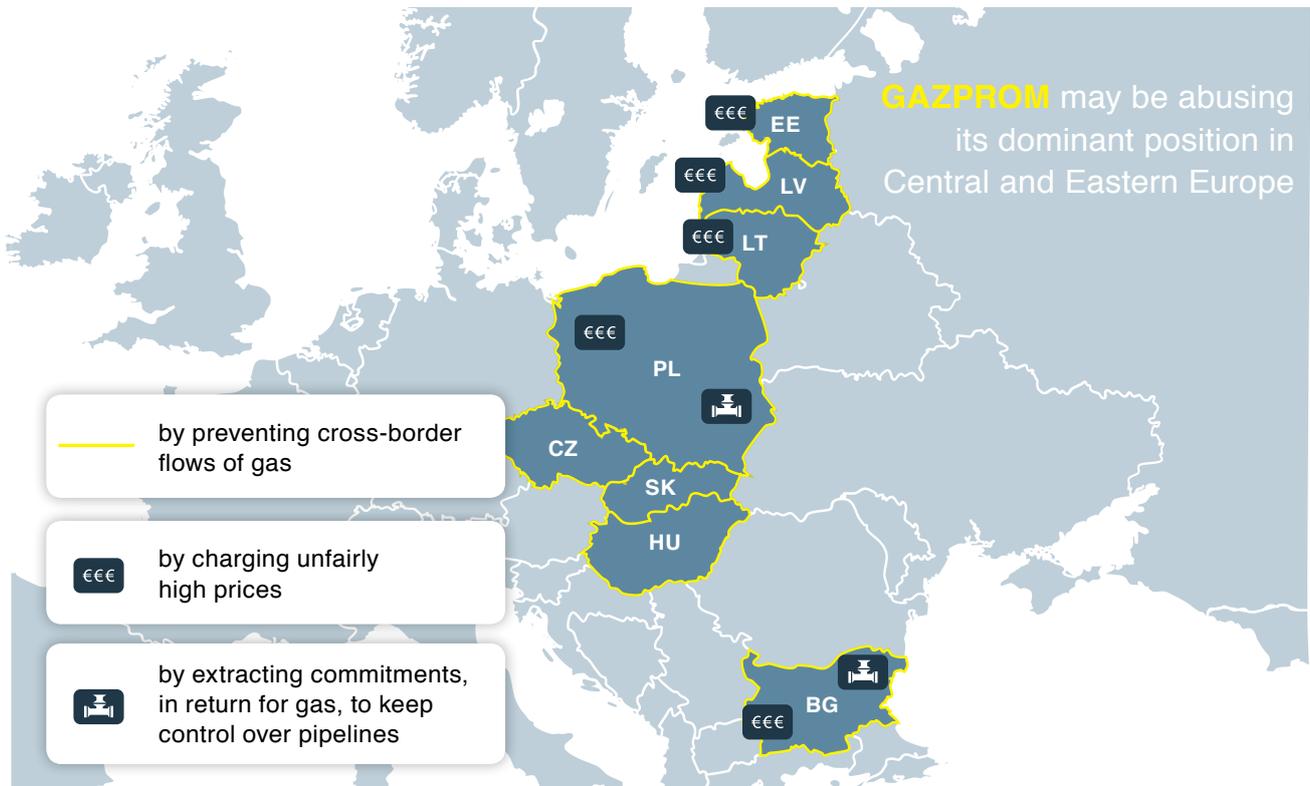
---

---

<sup>25</sup> European Commission, *European Energy Security Strategy*, Communication, COM (2014) 330 final (28 May 2014).



Figure 2 The European Commission's 2015 probe against Gazprom



Source: European Commission, 'Antitrust: Commission sends Statement of Objections to Gazprom – Factsheet' (22 April 2015).

## Ukraine

The existing Russia–Ukraine transit contracts expire after 2019, and Gazprom has led various efforts to circumvent Ukraine as a transit country.<sup>26</sup> If NS 2 becomes operational, Ukraine could lose up to \$2 billion in transit fees annually, which represents more than 2% of its GDP. The country could face an additional financial strain as the price it pays for natural gas might rise after 2020. Since Gazprom halted direct exports to Ukraine in 2015, Ukraine has been buying re-exported Russian gas from Slovakia through its reverse-flow gas infrastructure. If considerable volumes of gas were to be redirected to NS 2, Slovakia would have to obtain gas from Germany and through the Czech Republic, which would increase the transit costs and the final price for Ukraine. A case could be made that the current Ukrainian transit infrastructure needs further investment and technical improvements—parts of the network are in poor condition, and thus the infrastructure is not functioning optimally.

<sup>26</sup> The South Stream project aimed to deliver more than 60 bcm of natural gas annually from Russia to Bulgaria via the Black Sea. Immediately after its cancellation in 2014, Gazprom announced an alternative project (TurkStream) between Russia and Turkey with a capacity of 31 bcm of natural gas per year.



However, according to the World Bank,<sup>27</sup> the costs for these improvements would be much lower than the €9.5 billion which NS 2 is expected to cost. And this does not take into account the risks involved in launching new underwater infrastructure.

Currently there are three main routes for Russian gas: the Ukrainian transit system (with a maximum capacity of approximately 140 bcm of natural gas a year), the existing NS 1 pipeline from Russia to Germany (55 bcm/year) and the Yamal pipeline through Belarus to Poland (33 bcm/year). The volume of natural gas actually supplied through Ukraine was lowered substantially after Nord Stream 1 became operational in 2011. The Ukrainian network transmitted less than 80 bcm of gas in 2016 while the volumes of gas delivered through NS 1 have been gradually rising on an annual basis. This trend casts significant doubt on the declared ambition of NS 2 to deliver new gas resources to the EU and meet alleged growing demand. The aim of the project is first and foremost to redirect the current volumes of natural gas and transmit them to a new arrival point.

After Russia's unlawful annexation of Crimea and Sevastopol in 2014, the EU started to provide support for the financial stabilisation of Ukraine.

---

**In the long run, the NS 2 pipeline could jeopardise the overall energy security of Ukraine and worsen the geopolitical position of the country**

---

Allowing NS 2 to go through would undermine these efforts and contribute to the further financial deterioration of the country, which over the past decades has transmitted significant amounts of natural gas to the EU. There is political consensus in the EU for maintaining a gas transit role for Ukraine, partly to ensure that Ukraine continues to receive payment from Gazprom for these services and also to enable Ukraine to keep reverse gas flows from the EU.<sup>28</sup> In the long run, the NS 2 pipeline could jeopardise the overall energy security of Ukraine and worsen the geopolitical position of the country, which has an aggressive international actor as a neighbour.

---

<sup>27</sup> European Commission, European Political Strategy Centre, *Nord Stream 2: Divide et Impera Again? Avoiding a Zero-Sum Game* (2017), 9.

<sup>28</sup> S. Pirani and K. Yafimava, *Russian Gas Transit Across Ukraine Post-2019: Pipeline Scenarios, Gas Flow Consequences, and Regulatory Constraints*, Oxford Institute for Energy Studies, NG 105 (February 2016), 21, accessed at <https://goo.gl/Qk2ndC> on 21 March.



Table 1 Major Russian export pipelines to Europe

Pipeline project	Ukrainian gas network to the EU	Nord Stream 1 (to Germany)	Yamal pipeline (via Belarus to Poland)	Blue Stream (to Turkey)	Nord Stream 2 (planned)	TurkStream (planned)	South Stream (cancelled)
Maximum capacity (per annum)	143 bcm	55 bcm	32.9 bcm	16 bcm	55 bcm	31.5 bcm	63 bcm

## Member state unity

Ukraine would not be the only state to be impacted financially by a loss of transit fees. Slovakia and other CEE member states might lose out financially due to the rerouting of gas flows from Eastern supply routes to Germany via NS 2. However, this is not the sole reason for the protest against the project. Bulgaria, the Czech Republic, Finland, Hungary, Poland, Slovakia and the Baltic republics remain heavily dependent on Russian gas even though a series of steps were undertaken recently to ensure investment in gas interconnections between EU member states and improved storage capacities. The redirection of most Russian gas to NS 1 and NS 2 would make these countries dependent on the resale of the resource by Germany, which already exports more than 20 bcm yearly.<sup>29</sup> With the additional 55 bcm capacity provided by NS 2, Germany would acquire volumes of gas which go beyond its projected domestic demand.

The costs of transporting gas from the German network to Eastern European countries could be higher than current fees for transporting gas through Ukraine.

**Most problematically, the Gazprom-led project pits Western and Eastern European interests against each other**

Most problematically, the Gazprom-led project pits Western and Eastern European interests against each other and further opens the rift between ‘old’ and ‘new’ member states. In recent years there has been a clear East–West division on a number of topics, including migration policy, long-term spending within the Multiannual Financial Framework and the future of the EU. The list could be expanded to include citizens’ grievances over differences in food products or product quality between Eastern and Western European supermarkets.

<sup>29</sup> P. de Micco and K. Kocak, *The Quest for Natural Gas Pipelines: EU and Eastern Partner Energy Policies: Security Versus Transit Benefits*, European Parliamentary Research Service and Directorate-General for External Policies (2016), 16, accessed at <https://goo.gl/amWPzP> on 23 March.



And then there are the intricate institutional struggles, such as the post-Brexit relocation of the European Medicine Agency and European Banking Authority to Amsterdam and Paris, respectively, to the disappointment of many who had expected a CEE capital to be chosen for one of these agencies.

NS 2 could be seen, in essence, as a defiant move by Germany to pursue its own self-interest, showing disregard for the concerns of its European partners and, in effect, going against EU energy priorities. The project would be completed in a situation in which a growing number of European citizens from various member states already believe that Berlin has too much influence on decision-making within the EU.<sup>30</sup>

## Recommendations

---

European energy security, diversification of supply, solidarity with Ukraine and member state unity—these are all matters dealt with in numerous documents and binding agreements which bear the signatures of the EU28. The NS 2 pipeline makes it questionable whether these commitments will be honoured. This paper argues that the Gazprom-led pipeline project is politically and economically precarious for the EU. The following recommendations can be made.

- *The EU does not need Nord Stream 2.* There is sufficient natural gas infrastructure between Russia and the EU at the moment. This, together with the EU's pledge to reduce its dependence on fossil fuels and further diversify its energy mix, makes NS 2 a serious liability which risks becoming a stranded asset in the future.
- *The European Commission cannot handle the Nord Stream 2 case on its own.* The Commission's involvement in the case is welcome, but the revision of the Gas Directive remains a regulatory concern. It must be recognised that NS 2 represents a political and security threat for the EU. The future of NS 2 is a highly sensitive issue which should be decided by high-level political intervention.
- *Member states must not allow themselves to be divided.* NS 2 involves the construction of new infrastructure which risks becoming unviable in the long run. The pipeline project pits the economic interests of a handful of member states against the energy security of half of the Continent. Given all

---

<sup>30</sup> B. Stokes, R. Wicke and D. Manevich, 'Favorable Views of Germany Don't Erase Concerns About Its Influence Within EU', Pew Research Centre (15 June 2017), accessed at <https://goo.gl/cRw3Pe> on 23 March 2018.



the external and internal pressures it is currently facing, the EU should not allow such a clear conflict between Eastern and Western Europe to exist.

- *Germany should own up to its special responsibility.* The new German government should be aware that Nord Stream 2 would undermine the efforts of the European Commission to establish an integrated and secure energy market. It should also acknowledge the damage that NS 2 would cause to European unity and to Ukraine. Berlin should recognise that the project has substantially, and unnecessarily, soured its relations with several major European partners, not least Poland. It should stop treating the pipeline as a purely business project and refrain from attempts to isolate other member states on this issue. The appropriate solution is for Germany to take the necessary measures and stop Nord Stream 2.



# About the authors

---

**Dimitar Lilkov** *is a Research Officer at the Wilfried Martens Centre for European Studies.*

**Roland Freudenstein** *is the Policy Director of the Wilfried Martens Centre for European Studies.*

# Credits

---

The Wilfried Martens Centre for European Studies is the political foundation and think tank of the European People's Party (EPP), dedicated to the promotion of Christian Democrat, conservative and like-minded political values.

Wilfried Martens Centre for European Studies  
Rue du Commerce 20  
Brussels, BE 1000

For more information please visit: [www.martenscentre.eu](http://www.martenscentre.eu)

Language editing: Communicative English bvba

Typesetting: Victoria Agency

Printed in Belgium by Drukkerij Jo Vandenbulcke

This publication receives funding from the European Parliament.

© 2018 Wilfried Martens Centre for European Studies

The European Parliament and the Wilfried Martens Centre for European Studies assume no responsibility for facts or opinions expressed in this publication or their subsequent use.

Sole responsibility lies with the authors of this publication.