





POLICY PAPER

Transatlanticism and Nord Stream 2: How the EU can Overcome the Sticking Point

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Background

It is 2021, the years of the Trump administration have come to an end and much of the political attention of the foreign policy brass is devoted to rebuilding shackled alliances and faith in multilateralism in times of Covid-19. However, there is one issue that continues to keep europhils and transatlanticists alike awake at night: the Nord Stream 2 pipeline project. The project supported by the German and Russian governments seeks to connect both countries between Vyborg in the Oblast Leningrad and Greifswald in Mecklenburg-West Pomerania and is infamous for the division it is causing within the European Union (EU) and between the EU and the United States.

While leaders on both sides of the Atlantic wish for the chapter of sour relations under the *America First* foreign policy by former President Trump to be closed as soon as possible, the opposition to Nord Stream 2 is one of the very few topics with bipartisan support in the American Congress. As a parting gift, former President Trump signed a package of sanctions into law that require the imposition of measures against any company aiding in any activities related to putting the pipeline into operation. Given the domestic pressure, President Biden has also expressed his opposition to the project and called it a “bad deal for Europe”.¹

At the same time Russian policies continue to cause concern in Washington and European capitals. The list of incidents is long, be it the treatment of the domestic opposition with namely individuals such as Nawalny or a military build-up at the Ukrainian border that Russia emphasises to merely being snap-exercises to only name the most recent ones. Whereas the business sector and German politicians that favour the project label Nord Stream 2 as a business project, foreign policy experts decry the geopolitical consequences this project might have. Proponents argue that Nord Stream 2 is essential for security of supply, price stability and that it would not increase dependency on Russia, as the import volume is not expected to change significantly but the gas would merely flow via a different route². Some also argue that a hidden motive of US opposition lies in the interest to sell LNG to Europe³. Opponents on the other hand argue that Russia would be empowered vis-à-vis Europe and that the pipeline poses a security risk for Ukraine⁴.

Nearly five years after the planning process of the pipeline started, the controversy has not calmed down; the change to the Biden administration has merely given the Transatlantic Partnership a breathing space. This raises the question *how this window of opportunity can be used and a compromise on Nord Stream 2 be found*.

Current State of Play

Progress on the project and the state of affairs

Nord Stream 2 is a project, whose planning dates to a feasibility study in 2011. Mostly parallel to Nord Stream 1, the project seeks to double the capacity of transporting natural gas through the Baltic

¹ [U.S. Department of State, 2021](#)

² Metz, A. (May, 2021), own interview

³ Metz, A. (May, 2021), own interview

⁴ [Åslund, A. \(April, 2021\)](#)

Sea from 55 billion cubic metres (bcm) to 110 bcm. To be precise, Nord Stream 1 and 2 have two tubes each, each with a capacity of 27.5 bcm. These figures stand in relation to a gas consumption of 390 bcm by EU members, of which 168 bcm or 43% were supplied by Russia⁵. Experts highlight that the project is not expected to increase the market share of Russian gas in Europe but rather lower volumes passing through the Druzhba pipeline in Ukraine⁶.

Currently (as of June 2021), the construction is nearly complete and despite American sanctions, *inter alia* explicitly targeting pipe-laying vessels, one of the two tubes of Nord Stream 2 is completely laid out and only needs to be welded together. Although two German environmental NGOs filed lawsuits against the pipeline and achieved a temporary halt on efforts in German waters⁷, the construction is still expected to be completed by the end of summer 2021⁸. Nevertheless, finishing construction does not equal the commissioning of the pipeline. The important next steps are the certification and insurance of the pipeline and they, given US sanctions, mark milestones that will create another challenge to the pipeline operator.

Inner-European Rift

Within the EU, Nord Stream 2 is highly contested, and it has been one of the very few topics where Germany was not shy to use its clout in a near-hegemonial way. Disregarding resistance from the trinity of the European Parliament, the Commission, and the majority of countries in the Council of the EU, Germany was successful in protecting the project although it came at a political cost.

At the Council of the EU, Nord Stream 2 caused division between four countries supporting the project, namely Austria, Belgium, Germany, and the Netherlands and nine countries, including Denmark and most Eastern European countries, opposing it⁹. Given the large number of countries opposed to the project, the Commission proposed the Third Gas Directive, whose initial form would have put the project under EU jurisdiction.

However, a last-minute change of heart of France secured a majority needed to amend the directive in a way that jurisdiction remains at the national level¹⁰. Nevertheless, the directive does require ownership unbundling, the separation of the company producing the gas and the company operating the pipeline. Yet, Gazprom is the majority shareholder of the Nord Stream 2 AG and the supplier of gas. This violation of EU Law might limit the allowed gas flow to 50 percent of the pipeline's capacity; however the company filed a complaint to the Permanent Court of Arbitration and claimed that the EU directive is discriminatorily targeted against Nord Stream 2¹¹. At this point, it is unclear whether the EU regulation will be overruled, yet it is clear that the EU ran out of options to stop the project.

⁵ [Åslund, A. \(April, 2021\)](#)

⁶ [De Jong, M. \(2021\)](#)

⁷ [Zeit Online \(May, 2021\)](#)

⁸ [Soldatkin, V., Golubkova, K. \(June, 2021\)](#)

⁹ [De Jong, M., Van de Graaf, T., Haesebrouck, T. \(2020\). A matter of preference: Taking sides on the Nord Stream 2 gas pipeline project, Journal of Contemporary European Studies](#)

¹⁰ [Keating, D. \(February, 2019\)](#)

¹¹ [PCA Case No. 2020-07](#)

This became evermore clear in February 2021, when Ditte Juul Jorgensen, the director general of DG Energy, highlighted that “stopping the construction would require a decision at national level. It's not a decision that can be taken at European level”¹². In this light, the EU institutions and other member states are limited to attempting to convince Germany of the negative implications of the project.

US Opposition

With the inauguration of President Biden in January 2021 and his vows to repair alliances and partnerships, a conciliatory note resounded across the Atlantic. However, Nord Stream 2 faces bipartisan opposition and leading Republican Senators, such as Ted Cruz, announced that it would be the administration's fault if the pipeline is completed. Nord Stream 2 has therefore become symbolically charged and emblematic of an alleged weak Russian policy.

While the US government imposed sanctions against Russia related to what the Kremlin called snap-exercises in April 2021 and to the imprisonment of Alexej Nawalny, the administration so far avoided tightening sanctions that would target Nord Stream 2. Currently, the sanction law passed in December 2020, “allows the administration to impose sanctions against any entity that is involved in construction, provides underwriting and insurance to pipe-laying vessels or facilitates ship retrofitting and upgrading.”¹³

Despite an outcry from Republicans in the Senate, the current US government has decided to suspend sanctions targeting the company behind Nord Stream 2 in late May 2021. Before this decision, the administration already showed goodwill. For example, the US Department of Justice reversed legal approval to sanctions against the project in April and thus stopped their implementation¹⁴. In late March, Secretary of State Antony Blinken stated that “[g]ermany is one of our closest allies and partners anywhere in the world. [...] The fact that we have a disagreement over Nord Stream 2 is not affecting and will not affect the overall partnership and relationship.”¹⁵ Furthermore, it became public that Amos Hochstein, special envoy and coordinator for international energy affairs under President Barack Obama, was informally offered the role as special envoy for Nord Stream 2 in April, yet there has been no follow-up on this matter thus far¹⁶.

The rapprochement conducted by the Biden administration is an unambiguous sign that they seek to engage with Germany in a constructive way. Yet, Secretary of State Blinken reiterated America's opposition when meeting German Foreign Minister Maas in May¹⁷. Given the enormous domestic pressure and considering the slimmest of majorities under which the American government operates, President Biden has proven how important he sees a close partnership with Germany and Europe.

¹² [Juul Jorgensen, D. \(February 2021\)](#)

¹³ [Gugarats, H. \(January 2021\)](#)

¹⁴ [Bertrand, N., Desiderio, A. \(April 14, 2021\)](#)

¹⁵ [Blinken, A. \(March 2021\)](#)

¹⁶ [Bertrand, N., Desiderio, A. \(April 7, 2021\)](#)

¹⁷ [Office of the Spokesperson; Department of State \(May, 2021\)](#)

German Position

Nord Stream 2 has continuously enjoyed support from the highest ranks of German government. Even in the wake of the most recent developments regarding the imprisonment of Nawalny and Russian military muscle-flexing, concerning the project, Chancellor Merkel stated on May 5 “it is important that we continue exchanges on the issues of transatlantic partnership in the future, even on the issues that don’t possibly lead to common assessment.”¹⁸

However, the end of the era Merkel is closing in, with unprecedented uncertainty looming over federal elections in September. Although the party’s current candidate for chancellorship Armin Laschet voiced his support for the project¹⁹, support within the Christian Conservative Party is less unitary, with voiceful opposition coming from the chairman of the Foreign Policy Committee Norbert Röttgen²⁰ or the coordinator for transatlantic relations Peter Beyer²¹.

Leadership could also be found outside of Merkel’s party. For the first time in the history of the Federal Republic, polls indicate that Annalena Baerbock as Green could become chancellor. Baerbock voiced her opposition to the project calling on security threats for Ukraine that would arise if gas volumes were shifted from the Ukrainian corridor to Nord Stream 2. She furthermore stated that there cannot be gasflow even when the pipeline is completed²². However, other prominent party members seem to have a more pragmatic approach and highlight that the main obstacle for Nord Stream 2 lies within the security of Ukraine.

While the upcoming elections in September may limit the support the project enjoyed so far by the German government, experts agree that from a legal standpoint, the options to stop the project are severely limited²³. Any unilateral decision by Germany would lead unequivocally to demands of compensations by Gazprom and the European investors. Given that all permits were granted, such demands are likely to be confirmed by the courts. To that end, most politicians in Germany working on economic and trade policy conclude that the pipeline project cannot and should not be stopped, whereas politicians working on foreign policy are more openly calling for a moratorium.

Outlook and Possible Policy Recommendations

The significance of the Biden administration’s decision to suspend sanctions targeting the Nord Stream 2 AG and key figures of the project cannot be overstated. Given the slim majority and the bipartisan opposition to the pipeline, there could not have been a sign clearer that the current US government is willing to go the extra mile when it comes to rebuilding the transatlantic partnership. Opponents of transatlanticism might argue that the US did the only right thing to waive sanctions as they were, among others, targeting friends and partners. However, instead of an agreement behind closed doors, and a delaying strategy by the Biden administration until the project is concluded, domestic repercussions were accepted.

¹⁸ [Merkel, A. \(May, 2021\)](#)

¹⁹ [Rinke, A. \(February, 2021\)](#)

²⁰ [Münchenberg, J. \(February, 2021\)](#)

²¹ [Haerder, N. \(March, 2021\)](#)

²² [Baerbock, A. \(May, 2021\)](#)

²³ De Jong, M. (May, 2021) - own interview

It is evident that in the wake of global power shifts and challenges a project such as Nord Stream 2, whether its criticism is justified or not, should not inhibit a partnership that is needed on both sides of the pond. The list of challenges is long, one can think of concerted strategies regarding Russia, China and the Middle East, but also a common stance regarding climate change and a close cooperation when it comes to the significant fallouts of the Covid-19 pandemic. With the conciliatory move by the US, the ball is in the field of the Europeans now and the sign of goodwill should be reciprocated to alleviate the domestic pressure President Biden faces.

Regarding the EU's dependency on fossil fuel imports from Russia and other autocracies, the Green Deal and the Union's ambition to increase the share of renewable energy sources are the only way forward. As one of the challenges of renewables lies within its fluctuating power levels, the EU needs battery energy storage systems (BESS) that can compensate for the peaks and lows of production. A cooperation with American companies could deepen the ties of a green transatlantic partnership and prove to be a more effective tool than sanctions against the EU's neighbouring autocracies, as it drains their principal source of foreign currency influx. Recently, American companies put the largest BESS into operation²⁴ and a proposal of joint EU-US projects would further lower friction between the two powers.

This type of climate diplomacy could be a new chapter in transatlantic cooperation and would kill two birds with one stone. Not only is the Green party in Germany projected to heavily gain influence, but environmental protection also became more of an issue for all parties across the spectrum with the exception of the populist right-wing party AfD. A tandem of a more environmentally oriented government in Germany and the Biden administration, which has already proved their commitment to combat climate change, could grow to a fruitful root in a new pillar of transatlantic climate action.

Looking at the security of Ukraine, the situation is more cumbersome. Russian muscle flexing continues and acts undermining the integrity of Ukrainian territory and state functions, such as handing out Russian passports to citizens in eastern Ukraine²⁵, are carried out without delays. This is done in the present, even though transit contracts do not expire until 2024. While Ukrainian security certainly is an issue that American and European diplomats should be concerned about, Nord Stream 2 is not likely to change Russia's already assertive demeanour. In any case of an escalation by Russia after the pipeline is operational, a moratorium on gas imports from Russia is an option European governments have.

Intelligence services should also keep a close eye on the security of the Ukrainian pipeline systems. In 2009, a pipeline between Russia and Turkmenistan exploded after Gazprom unilaterally reduced gas flows.²⁶ It became known that the gas imports from Turkmenistan were not profitable anymore shortly after and the Turkmenistan government accused Russia of sabotage to end a disadvantageous contract.²⁷ It is no secret that the Ukrainian pipeline system is about 40 years old and suffers from poor maintenance. It is not too much of a fictional thought that there could be a severe incident in this

²⁴ [Colthorpe, A. \(January, 2021\)](#)

²⁵ [Dickinson, P. \(April, 2021\)](#)

²⁶ [Shuster, S., Gurt, M. \(May, 2009\)](#)

²⁷ [Galpin, R. \(June, 2010\)](#)

accident-prone infrastructure after Nord Stream 2 becomes operational. However, decisions cannot be based on what may be premature assumptions. Such a scenario should be considered, but with regard to Ukraine there are concrete steps of action that should be followed.

For more stability in the EU's east, two things are needed. First, Ukraine should be supported to form a resilient economy with an intrinsic value creation that is not dependent on transit fees. Various programmes are already in place, yet a long-term strategy that aims for a transition of Ukraine to a sustainable green energy partner should be drafted. An EU-US cooperation on this could accelerate this ambition and help to lower the EU's dependence on Russia. The joint effort may also enable the EU and US to put more pressure on Ukraine to combat corruption and inefficiency of its bureaucracy.

The latter lies in issuing guarantees for Ukraine that serve as credible red lines with clearly drawn consequences. The credibility as a foreign policy actor remains a universal challenge of the EU as its members need to decide what kind of actor the EU wants to be and what kind of values it wants to see valid. Only when this is clear, the question can be answered to what extent it is willing and capable to defend those values. Without these answers, red lines may be drawn but their credibility rests limited.

Against this backdrop, Nord Stream 2 is an issue that is overshadowed by more significant challenges. This does not mean that a blind eye should be turned on the pipeline and, depending on Russia's actions, gas import volumes might need to be re-evaluated. However, given the green energy transition, the import of fossil fuels and thus the relevance of Nord Stream 2 will fade. President Biden has recognised this and underlined his ambition to rebuild the transatlantic partnership by passing an olive branch to the EU and Germany. It remains to be seen if the domestic pressure President Biden now faces were worth it and if the EU and Germany embrace Biden's rapprochement.

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