

# Expansion of Russian-German Nord Stream pipeline exacerbates tensions within the European Union

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At the end of November, several European Union (EU) member states wrote a letter calling upon the EU Commission to stop the pipeline project Nord Stream 2. Nord Stream is the world's longest sub-sea oil pipeline and it runs under the Baltic Sea, supplying Russian gas directly to Germany. Plans for its expansion are supported by leading German, Austrian and French companies, while there are fears amongst the Polish elite that this could result in the formation of a political alliance between Germany and Russia.

The bitter fight over the Nord Stream project underscores the depth of divisions that exist within the EU in general and within the ruling classes of EU member states. In their letter, the governments of Poland, Slovakia, Estonia, Latvia, Lithuania and Romania urge the commission to stop the project. Greece and the Czech Republic, which were both originally named as signatories to the letter, have since declared that they do not support its demand.

The letter warns the EU Commission that its stance on the project will “endanger the realisation of the EU's joint foreign and security policy among your most important allies and traditional partners.”

It was “in the strategic interest of the EU as a whole to retain the transit route through Ukraine, not only from the standpoint of energy security, but also because it concerns the maintenance of stability in the Eastern European region.”

In an initial reaction, EU energy commissioner Miguel Arias Cañete declared on Thursday that Ukraine was a “secure transit route.” Gas should continue to flow through Ukraine, he said, but apart from that, the EU Commission confirmed its previous statement that Nord Stream 2, like all other energy

projects, would have to correspond to EU law.

At present, the pipeline pumps 55 billion cubic meters of oil each year from Russia directly to Germany. The current controversy stems from the proposed expansion of the project to four total pipelines, which would double its capacity to 110 cubic meters per annum by 2019.

The Nord Stream project's first two pipelines—the longest sub-sea oil pipelines in the world—began operation in 2011 and were heavily supported by former German Chancellor Gerhard Schröder. Since his resignation as Chancellor in 2005, Schröder has been handsomely rewarded with a position on the board of directors of Nord Stream AG—the company overseeing the project.

For the Kremlin, the expansion is of great political and economic significance. In spite of attempts to expand connections to Asia, the vast majority of revenue comes from the export of oil and gas to Europe. Negotiations on the Power Siberia pipeline, which is due to supply gas to China and other countries, have yet to be concluded.

Furthermore, the Russian government stopped the construction of a pipeline through Turkey two weeks ago when a Russian jet was shot down by the Turkish air force over Syria. This pipeline was to have served as a replacement for the South Stream project, which was halted at the end of 2014 after the EU brought immense pressure to bear against Russia during the crisis in Crimea. Turkey, against which Russia has now imposed wide-ranging sanctions, was the only European expanding market for Gazprom, the Russian state-owned gas corporation.

Gazprom announced the expansion of Nord Stream in

the summer of 2015. Since then, the French firm Engie (formerly GDF Suez), Austria's ONV, Germany's E.ON and Wintershall and the British-Dutch Shell have all joined the project. Gazprom controls 50 percent of the joint venture, while the other companies hold 10 percent each. This points to a major reason for the tension created by the project: leading Western European energy companies are supporting the deal despite official anti-Russian sanctions from their governments.

From the outset, the project drew particularly strong criticism from Poland, which is bypassed by the pipeline. During the initial planning stages of the German-Russian pipeline deal in 2006, Poland's then-Defence Minister Radek Sikorsky compared the deal to the Hitler-Stalin pact of 1939, which divided Poland into German and Russian spheres of influence. Recently, Polish President Andrzej Duda accused Berlin of ignoring Poland's economic interests and calling the unity of the EU into question by building the pipeline.

The deal is opposed by those regimes that are more closely aligned with American imperialism and fear that the deal would increase Russia's market share of gas in Europe, which is presently at roughly one third. Besides Poland, which recently requested the stationing of American nuclear weapons, the signatories of the letter to the EU commission include Latvia, Lithuania, and Estonia, which allowed American armed forces to stage parades near their borders with Russia in 2014 and 2015.

Nord Stream also undermines the position of the US-backed government of Ukraine as a transit country for Russian gas. At present, around half of Russian gas imports reach Europe through Ukraine. The transit tariffs are extremely important for the country's economy, which is presently in shambles. According to Prime Minister Arseniy Yatsenyuk, Ukraine would lose a total of \$2 billion annually as a result of Nord Stream 2. Yatsenyuk has repeatedly urged the EU Commission over recent months to halt the project.

The US has yet to make official statements on the pipeline, though Reuters cited an unnamed employee at the Department of Energy who said that the US views the project with concern because it brings the EU increasingly into Russia's sphere of influence. Russia's state-owned *Sputnik* news agency speculated

that the US was behind the letter sent by Eastern European states.

The German ruling elite is divided over its attitude towards Russia. While sections of the press agitate against Russia, major German businesses are increasingly opposing the economic sanctions. BASF, the largest chemical concern in the world, concluded a multibillion-euro cooperation agreement with Gazprom several months ago.

Vice Chancellor Sigmar Gabriel met Russian President Vladimir Putin and announced his support for Nord Stream 2, which the German government as a whole is yet to do. Gabriel noted that the control over the project had to remain with Russian and German energy authorities so that there was "no intervention from outside." He obviously did not just mean Brussels by this, but also the United States.

Foreign minister Frank-Walter Steinmeier also spoke out in favour of cooperation with Russia in the energy sector. In a letter to EU Commissioner Cecilia Malström, obtained by the Financial Times, the foreign minister proposed that the EU should "reach out to Russia" by signing a statement on energy and investment guarantees. This initiative, the letter continued, would also be supported by German Chancellor Angela Merkel.

The Russian government newspaper *Rossi y skaya Gazeta* welcomed Steinmeier's letter as an attempt by Germany "to keep room open for dialogue with Russia."

Immediately prior to this, trilateral negotiations between the EU, Ukraine and Russia on the impact of the EU association agreement with Ukraine collapsed. The agreement integrates Ukraine to a considerable degree into the EU market. The refusal of then-Ukrainian President Victor Yanukovitch to sign it in November 2013 triggered the events that led to his overthrow in February 2014 in a fascist-led coup in Kiev.



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