

US-German tensions rise as construction starts on Nord Stream 2 gas pipeline

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Work has finally begun laying pipes for the \$11.5 billion Nord Stream 2 gas pipeline that is at the centre of a bitter dispute between Washington and Berlin.

Pipe installation commenced at the end of July near Greifswald, on Germany's Baltic coast. Completion of the 1,200-kilometre line is anticipated by the end of 2019, with the new pipe carrying Russian gas starting in 2020.

The route largely follows that of the Nord Stream 1 line, which has been operating since 2011. The new line will double the capacity for the transport of natural gas from Russia under the Baltic Sea to Germany, where it is further distributed across Europe in two overland pipelines.

The construction of the Nord Stream 2 line has been the subject of fierce disagreement ever since it was originally proposed in 2012. The German government, whose former Social Democratic chancellor Gerhard Schröder is chairman of the Nord Stream AG operating company, regards the expansion as vital to ensure Germany benefits as a central hub for the distribution of gas throughout much of Europe—as well as shoring up its own energy supplies.

Opposition to the construction of Nord Stream 2 has formed a part of an increasingly bellicose US foreign policy and military encirclement of Russia, first under Barack Obama and now Donald Trump. It is also bound up with Trump's targeting Germany to divide and weaken the European Union (EU), which he regards unambiguously as a competitor rather than an ally.

In lockstep with the strategic interests of US imperialism, several EU members had sought to prevent the new project going ahead.

A 2016 letter signed by the prime ministers of the Czech Republic, Estonia, Hungary, Latvia, Poland, Slovakia and Romania and the president of Lithuania described Nord Stream 2 as creating “potentially destabilising geopolitical consequences.” Four of the signatories—Poland, Hungary, Slovakia and the Czech Republic—come from the so-called Visegrád Group, which cooperates closely with Washington and Ukraine.

In June 2017, then German Foreign Minister Sigmar

Gabriel (Social Democratic Party, SPD), speaking together with then Social Democratic chancellor of Austria Christian Kern, responded to the passage of a new anti-Russia bill by the US Senate threatening companies operating “in US markets with punishments” if they participate in or finance projects like the Nord Stream 2 oil pipeline with Russia. They said this would introduce “an entirely new and extremely negative quality to European-American relations.”

For Russia, Nord Stream 1 and 2 are critical infrastructure projects enabling the country to export its abundant natural gas to Europe and earn much needed foreign currency. Exports of Russian gas to Europe rose 8.1 percent last year to an all-time high of 193.9 billion cubic metres, comprising some 40 percent of Europe's gas. According to the *Financial Times*, Russia had been forced to lower gas prices when some EU member states indicated they would purchase liquified natural gas (LNG) from the US, Qatar and elsewhere, with Poland and Lithuania building terminals to receive LNG shipments.

Within the EU, the project has encountered fierce opposition from Poland, which had originally hoped to profit from an overland pipeline passing through its territory. Ukraine, through which an older line runs, faces a drastic falloff in gas deliveries, and a drop in lucrative transit fees that bring the country \$3 billion a year, once Nord Stream 2 comes online.

In May, then British foreign minister Boris Johnson sided with Washington in describing Nord Stream 2 as “divisive” and a threat that left Europe dependent on a “malign Russia” for its energy supplies. These comments were made after British Prime Minister Theresa May accused Russia—with no evidence cited and echoed by hysterical media coverage—of the attempted murder of Russian/US double agent Sergei Skripal and his daughter, Yulia.

At a July 11 pre-NATO summit press conference in Brussels, Trump accused Germany of being “totally controlled” by Moscow because of the “massive oil and gas deals with Russia.” He publicly castigated NATO Secretary

General Jens Stoltenberg, saying, “We’re supposed to protect you from Russia, but Germany is making pipeline deals with Russia. You tell me if that’s appropriate. Explain that.”

Stoltenberg sought to defuse the situation, saying the pipeline did not fall under the remit of the military alliance and was a “national” issue.

In the weeks following, the Trump administration stepped up the pressure on Germany, with US Assistant Secretary of State for Energy Resources Frank Fannon visiting Ukraine July 25, where he expressed Washington’s “staunch opposition to Nord Stream 2 and broader Russian attempts to use energy to harm Ukraine and undermine European security.”

In alliance with the US, the UK stepped up its opposition to Nord Stream with Foreign Minister Alan Duncan saying that the pipeline “represents a risk to European energy security and to Ukraine.”

The *Guardian*, the main anti-Russian bulletin board of the British ruling class, reported at the end of July, “One of the UK’s most prestigious universities is facing allegations that it is providing a platform for lobbying on behalf of the controversial Nord Stream 2 pipeline project between Germany and Russia.”

It cited a German organisation, Lobbycontrol, who said that Friedbert Pflüger, a former deputy defence minister and Berlin mayoral candidate, “is listed on the website of London university, King’s College, as the director of the university’s European Centre for Energy and Resource Security (EUCERS).”

The *Guardian* complained that Kings College does not “explicitly state that Pflüger is also a businessman whose Berlin-based company Pflüger International advises and lobbies politicians on behalf of a host of international energy firms. Under Pflüger’s directorship, EUCERS has published a strategy paper on Nord Stream 2, emblazoned with the King’s College logo, which was sponsored by Shell, OMV, Wintershall, Uniper and Engie—the five energy companies who have invested in the planned pipeline.”

One organisation cited in the *Guardian* report as a previous client of Pflüger’s is the Central Europe Energy Partners (CEEP). CEEP describes itself as representing “13 energy and energy-intensive companies and organisations from four Central European countries ... with total annual revenue of more than EUR 20 billion” and the “first major body to represent the companies from the region’s energy sector at the EU level.” CEEP announced July 26 of Nord Stream 2 that it no longer had relations with Pflüger and that it had “persistently opposed the project as economically detrimental for the Central and Eastern European countries and undermining the EU’s achievement in the security of

gas supply.”

Washington’s opposition to Nord Stream 2 is also motivated by the desire to increase sales of American LNG in Europe. Speaking to *Fox Business* the day EU Commission President Jean-Claude Juncker was visiting Trump in the White House, Energy Secretary Rick Perry claimed that Nord Stream 2 was not “commercially viable,” having been designed to ensure Russia was “the sole supplier of energy for the European Union.”

Perry touted the US as the “supplier of LNG that they want to have,” adding that “the United States and our LNG is going to be a major player with that.”

American LNG, which must undergo the liquefaction process, transport by sea and storage in special facilities, is more expensive than Russian gas transported by pipeline to Germany. According to oilprice.com, the cost of processing and transporting American LNG to Europe results in a price of \$6 per million British Thermal Units (MMBtu), whereas Russian gas sells for approximately \$5 per MMBtu, a price that could fall as Russia opens new gasfields.

Despite its higher price, following his meeting with Trump Juncker agreed the EU would build further terminals to facilitate the import of American LNG in the hope this might help avoid the imposition of punitive tariffs on the import of European cars into the US.

Although the construction of Nord Stream 2 has begun, it could yet fall afoul of Trump’s trade war policies. Speaking in Berlin in May, Sandra Oudkirk, US deputy assistant secretary at the Bureau of Energy Resources, threatened the use of sanctions legislated by the US Congress in the wake of Russia’s annexation of Crimea, which she said gave the administration the authority to act against any Russian energy projects, including Nord Stream 2.



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