

ARGUMENT

With Gazprom's Nord Stream 2, Putin Is Getting Ready to Put the Screws on Europe

The new pipeline won't deliver energy security. It will make the EU more dependent on a capricious Russia.

BY MIKHAIL KORCHEMKIN | OCTOBER 7, 2019, 6:24 PM

There is something Orwellian about the Russian energy giant Gazprom's Nord Stream 2 pipeline project, which will take natural gas from Russia to Europe via the Baltic Sea and Germany. The **official rationale** for the project is that Europe needs more gas, and this is the best way to get it. Yet the pipeline, combined with other planned projects, will actually reduce Russia's export capacity. And even as Nord Stream 2 **promises** "the further diversification of energy routes to Europe," it will actually concentrate Russian gas exports into a single pipeline corridor in the Baltic Sea, where it will bypass Ukraine and reduce that country's gas load to 10 percent of current capacity.

It seems odd that European leaders, concerned about energy security and about the economic health of their partner, Ukraine, would welcome the Nord Stream 2 pipeline. But at least **some** European politicians are comfortable with the Kremlin's **promises** that the project won't harm Ukrainian interests. They shouldn't be. Russian President Vladimir Putin has used Gazprom pipelines to hurt **Europe and Ukraine before**, and he'd probably do it again.

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targeting pipelines that are connected to Ukraine, through which it can export to Europe **146 billion cubic meters** of gas annually. According to Gazprom's "**optimization program**," the company will reduce the capacity of pipelines delivering gas to the Russian-Ukrainian border to 10 billion to 15 billion cubic meters a year.

In other words, after the completion of Nord Stream 2, total Russian gas export capacity to Europe will be down by about 85 billion cubic meters annually. Already, according to the December 2018 issue of the corporate *Gazprom magazine*, the company has decommissioned three compressor shops that provide the pressure to move gas through pipelines and is working on four more. The plan foresees liquidation of more than 2,600 miles of pipelines and 62 compressor shops in all.

Since Nord Stream 2 will consolidate Russian exports along a single route, Europe will also be more vulnerable to supply outages, whether caused by disaster or by Putin's whims.

At the moment, about 90 percent of Russian gas exports to Europe ship via Nord Stream 1, pipes in Belarus, and pipes in Ukraine. In 2018, they **ran at** by 107 percent, 92 percent, and 65 percent capacity, respectively. By liquidating the only route with significant spare capacity, Gazprom will be unable to compensate deficit of gas in Europe, for instance, in case of an outage of Norwegian supply. A mine from World War II, an underwater drone, or a technical failure could take down any of the four lines of Nord Stream 1 and 2. It takes **one to three days** to restore a land pipeline, but it can take months to repair a subsea line of the size of Nord Stream because of the very limited number of vessels capable of doing the job. European gas users will be exposed to a higher risk.

And Putin himself may be a bigger danger. The history of Nord Stream 1, which terminates in Germany just as the Nord Stream 2 pipeline is planned to do, demonstrates that he's more than willing to use pipelines for political leverage. After the commissioning of Nord Stream 1, he wanted to keep a tight grip on gas supplies to Ukraine, reducing them when the country angered him—either by cutting off some lines or hiking prices. But when Europe announced that it would resell Russian gas back

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Despite Putin's threat, the reverse gas sales went on. Believing that European consumers would be unlikely to notice any change of gas supply in the summer, Putin waited until the fall and ordered Gazprom to cut **daily flows** of Russian gas to Europe via Ukraine by 50 percent. In January 2015, the same **reduction** was applied its exports to Germany via the new and reliable Nord Stream 1. The case was never taken to arbitration court, and Putin acted as the judge and executioner.

As **reported** by Russia's state news agency Interfax, that gambit resulted in a loss of \$5.5 billion in revenue for Gazprom and fines of \$400 million. Unfortunately for the Kremlin, the winter was warm, and the deficit in Europe was compensated by increased supplies from Norway. But for Putin, this matter was much more important than \$6 billion and the reputation of Nord Stream. For him, being able to demonstrate that he could cut off supply to Europe on a whim was key. And now, with his pipeline plans fulfilled, he would be able to quickly cut off over **80 percent** of the supply of Russian gas to the European Union on short notice.

If Nord Stream 2 didn't sound like a bad enough deal for Europe, there's also another problem to worry about. Gazprom has **reported** that "clean natural gas is the most efficient fuel to balance out renewable power generation." Indeed, with a start-up time of just a few minutes, gas turbines can theoretically respond to a shortage of electricity on a winter day with low wind, for example. But, in fact, Nord Stream 1 never delivered on its promised flexibility. On the contrary, both Nord Stream 1 and Nord Stream 2 are designed to ship equal daily volumes through the year regardless of seasonal change of demand. Ukraine is the only export route for **flexible supplies** of Russian gas to Europe.

The whole pipeline corridor from Russia's Yamal Peninsula to the inlet of Nord Stream at the Baltic Sea has no spare transportation or storage capacity. Yet continental Europe is experiencing a **growing shortage** of peak gas supplies due to the declining production

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serious congestion and related price divergence between NW and CSEE Europe.” In short, Nord Stream 2 is likely to result in shortage of gas in Central Europe on a cold winter day under low wind conditions.

When it comes online in the coming years, Nord Stream 2 will break down the 50-year-old system through which Russian gas supplied consumers of Central Europe and Southern Germany. It will not provide flexibility. And what’s more, by having three Russian pipelines—Nord Stream 1, Nord Stream 2, and Yamal-Europe—end in Germany, Europe will become dangerously dependent on bilateral relations between Berlin and Moscow.

Nord Stream 2 **booklets** and **promotional publications** succeeded in convincing many Europeans that the project is about getting more Russian gas by an additional route. In fact, it is about diverting transit revenue from Ukraine and Slovakia to Germany and physically liquidating most of the pipelines taking gas to and through Ukraine. Nord Stream 2 may **promise** that “natural gas transportation through the Baltic Sea is a sustainable solution to meet the demand for natural gas in the EU.” But the pipeline is not the solution. It is the problem.

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