

## FT Editorial Board: US-German gas deal is a disservice to Ukraine

Brittany Beaulieu <bbeaulieu@yorktownsolutions.com>

Wed 8/4/2021 1:23 PM

To: Brittany Beaulieu <bbeaulieu@yorktownsolutions.com>

### US-German gas deal is a disservice to Ukraine

Russian threat to Europe's security cannot be 'parked' to focus on China

THE EDITORIAL BOARD

<https://www.ft.com/content/2170b044-2a9c-405b-a3ee-a5edfec34bbd>

Last month, President Vladimir Putin published a sinister, 6,900-word article insisting Russians and Ukrainians are “one people”, which appeared to open the door to further intervention by Russia in its neighbour. Days later, the Biden administration reached an agreement with Berlin allowing completion of the Nord Stream 2 gas pipeline — which poses a serious security and economic threat to Ukraine — in return for flimsy assurances and compensation for Kyiv. The “deal” — in reality, just a statement — does a grave disservice to Ukraine.

Nord Stream has always been at root a geopolitical project. It will give Russia capacity to deliver almost all its current gas exports to western Europe under the Baltic Sea direct to Germany, circumventing the transit pipeline across Ukraine. That would deprive Ukraine of \$2bn a year in gas transit fees, vital for an economy of only \$155bn.

Russia's Gazprom has said supplies could continue across Ukraine — if European customers buy additional Russian gas (EU policy is to reduce reliance on Russia). Putin has warned Ukraine must show “good will” — read: do the Kremlin's bidding — for transit to carry on. Kyiv is justifiably worried that for Moscow, no longer having to rely on Ukraine's pipeline for lucrative energy exports would remove a key constraint on further aggression.

Joe Biden in May waived long-touted US sanctions on the pipeline company, saying they made little sense with the project already 90 per cent complete when he became president. The deal unveiled days after he hosted outgoing German Chancellor Angela Merkel in the White House promised measures limiting Russian energy exports to Europe if Moscow used energy as a weapon or committed “further aggressive acts” against Ukraine. It proffered a \$1bn “Green Fund” to support renewable energy in Ukraine, and said Berlin with US support would use its leverage to “facilitate an extension of up to 10 years” to Russian gas transit.

The agreement is flawed on all levels. Commitments to counter Russian misbehaviour are vague, the green energy fund will not cover Kyiv's losses, and the offer of German help on extending gas transit is merely a “promise to try”.

The optics are dismal. For Washington and Berlin to agree a deal crucial to Ukraine's interests with no one from Kyiv in the room is a gift to Putin's narrative that it is fine for big powers to decide the fate of smaller ones. Even the timing, with German elections in September, is odd. It would surely have made sense to engage with Berlin's next government — likely to include the Greens, who oppose Nord Stream.

So why did the White House do a deal that has also aroused bipartisan opposition in Congress? The answer seems to be a push by some advisers to “park the Russia problem”, freeing the US to focus on the main threat: China. Russia, they say, is a declining power whose clout, beyond fossil fuel reserves, derives from a nuclear arsenal that is unusable in practice. This argument, too, is flawed. Recent years have shown Russia menaces European — and hence global — security. It retains a sizeable conventional army it is ready to use.

Far from uniting democracies, as Biden has pledged, this deal has split the EU east-west, with Poland and neighbours such as the Baltic states deeply worried about the implications. Most importantly, failure to stand up to Russia's annexation of Crimea and assaults on Ukraine's sovereignty sets a dangerous precedent that will be noted in Beijing, which has its own territorial pretensions towards neighbours. Responding to the Chinese threat means responding properly to the Russian threat — not trying to wish it away.

Brittany Beaulieu  
Yorktown Solutions  
601 13th Street NW Suite 900S  
Washington, D.C. 20005  
T: 202-753-9499 | C: 206-291-8862  
[www.yorktownsolutions.com](http://www.yorktownsolutions.com)



**YORKTOWN**  
— SOLUTIONS —

This material is distributed by Yorktown Solutions, LLC on behalf of the All-Ukrainian Industry Association "Federation of Employers of the Oil and Gas Industry." Additional information is available at the Department of Justice, Washington, D.C.