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No Time To Freeze

(https://cepa.org/wp-content/uploads/2021/10/2019-06-05T154714Z_941430363_RC164BC83AE0_RTRMADP_3_GAZPROM-NORDSTREAM-1.jpg)

A worker is seen through a pipe at the construction site of the Nord Stream 2 gas pipeline, near the town of Kingisepp, Leningrad region, Russia, June 5, 2019. REUTERS/Anton Vaganov

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Europe has walked headfirst into the Russian energy trap. It's time to break free.

The new Bond movie *No Time To Die* (https://www.imdb.com/title/tt2382320/) is graced by yet another superb soundtrack, this time by film score veteran Hans Zimmer. Zimmer not only lends his trademark swings between intensity and tenderness to the Bond universe but also weaves in references to previous series hits, like the Louis Armstrong-sung "We Have All the Time in the World (https://www.esquire.com/uk/culture/film/a37905050/we-have-all-the-time-in-the-world-no-time-to-die-explained/)."

That this motif is central to a film released in October 2021 is somehow fitting. Europe finds itself mired in the most troubling energy crisis in recent years. And despite ample warning, Transatlantic leaders have for months demonstrated a reticence to take direct action and, in some cases, even to clearly define the Kremlin's role in exacerbating the market challenges. As the crisis developed and deepened across summer and autumn 2021, observers might have concluded that policy-makers felt they had all the time in the world to respond.

In fact, as a cold winter looms, time's up. The transatlantic community, led this time by Germany, in compliance with its own July 2021 joint statement (https://www.state.gov/joint-statement-of-the-united-states-and-germany-on-support-for-ukraine-european-energy-security-and-our-climate-goals/)with the United States, must now advance sanctions aimed at stopping the Nord Stream 2 pipeline before it is too late. This failsafe was designed to provide a policy backstop *in extremis* after the Biden Administration decided in May to waive (https://www.reuters.com/business/energy/us-waive-sanctions-firm-ceo-behind-russias-nord-stream-2-pipeline-source-2021-05-19/)congressionally mandated bipartisan sanctions aimed at ensuring Nord Stream 2 could not become operational. The July joint statement says:

"Should Russia attempt to use energy as a weapon or commit further aggressive acts against Ukraine, Germany will take action at the national level and press for effective measures at the European level, including sanctions, to limit Russian export capabilities to Europe in the energy sector, including gas, and/or in other economically relevant sectors. This commitment is designed to ensure that Russia will not misuse any pipeline, including Nord Stream 2, to achieve aggressive political ends by using energy as a weapon."

Which leads us to ask: is the Kremlin currently attempting to use energy as a weapon or misusing Nord Stream 2 to achieve aggressive political ends?

The answer is a resounding yes.

Given that Russia's intent from the birth of Nord Stream 2 in 2015 was to advance a myriad of malign policy objectives aimed at undermining the national security interests of Ukraine and the wider European region, it is very hard to be surprised by recent events. After all, the European energy security community has for years warned that Russia would use Nord Stream 2 to coerce transatlantic leaders (including this author for CEPA here (https://cepa.org/mr-putins-not-quite-2020-energy-vision/), here (https://cepa.org/putins-plumbing-problems/), here (https://cepa.org/back-to-december-exposing-nord-stream-2-spin/), here (https://cepa.org/still-time-to-block-nord-stream-2-if-biden-wishes/), and here (https://cepa.org/germany-reaches-a-crossroads-as-merkel-bows-out/)).

Nevertheless, we find ourselves in a place that is all too familiar: the Kremlin seizing on regional and global market factors to help strengthen its hand to seek geopolitical concessions from Western democracies.

To be sure, soaring prices of natural gas in Europe aren't solely due to Kremlin action. The current market has been driven by a variety of factors conspiring against market liquidity. Across Europe, the coldest spring since 2013 (https://news.un.org/en/story/2021/06/1093592) resulted in higher-than-normal gas consumption for heating, while a calmer-than-normal summer (https://www.cnbc.com/2021/09/29/sse-says-low-wind-dry-conditions-hit-renewable-energy-generation.html) led to lower-than-normal electricity production from European wind farms. Add to that an earlier-than-expected industrial demand rebound (https://www.cnn.com/2021/09/23/business/europe-uk-energy-crisis/index.html)following COVID-19 economic slowdowns, and spiking liquefied natural gas (LNG) demand in Asia (including Chinese decrees (https://www.bloomberg.com/news/articles/2021-09-30/china-orders-top-energy-firms-to-secure-supplies-at-all-costs)calling for Chinese firms to secure energy resources, including LNG cargoes "at all costs"), and one already has a recipe for today's European gas crunch.

Yet the Kremlin-controlled Gazprom could have solved this by increasing supply through Ukraine or Poland, where ample spare capacity exists. Instead, it has for months (https://www.cnbc.com/2021/08/24/russia-is-pumping-less-natural-gas-to-europe-as-nord-stream-2-nears-completion.html) capped its usual discretionary exports to aid European gas storage ahead of the winter. And as the crisis has unfolded this autumn, for consecutive months Gazprom has declined to book (https://www.bloomberg.com/news/articles/2021-10-19/russia-signals-europe-won-t-get-extra-gas-without-nord-stream-2) any significant additional volumes on existing routes, even though Russia would have hugely profited from exports into a rising market.

This has led Nord Stream 2 adherents like German Chancellor Angela Merkel (who still leads a caretaker government in Berlin as post-election coalition talks proceed) to the strange position of defending Putin's transparently political gas export policy. She was quoted as saying (https://www.bloomberg.com/news/articles/2021-10-06/merkel-dismisses-russian-role-in-europe-s-energy-price-crisis) earlier this month that "To my knowledge, there are no orders where Russia has said we won't deliver it to you, especially not with regard to the pipeline in Ukraine."

Sure, Gazprom might be delivering contracted volumes, but that's not the whole story. And anyway, this argument is no longer tenable. Putin, along with a retinue of Kremlin officials and Duma members, said out loud what has been evident to the expert community for months: that the Kremlin was intentionally taking action to intensify European gas market woes to extort European Union (EU) officials into rapidly certifying Nord Stream 2, which is currently the subject of regulatory proceedings.

While some analysts had questioned whether Russia had additional gas volumes available for Europe beyond its contractual obligations, on October 21 Putin explicitly linked (https://www.reuters.com/world/europe/putin-nord-stream-2-start-gas-sales-europe-right-after-its-approval-2021-10-21/) rapid approval of Nord Stream 2 as a precondition of boosting Russian gas supplies to Europe, declaring that, "if the German regulator hands its clearance for supplies tomorrow, supplies of 17.5 billion cubic meters will start the day after tomorrow."

The statement is a blatant admission of Kremlin energy weaponization aimed at traditional Putin targets. At a time when real questions remain as to whether Gazprom's monopolistic operating plan for Nord Stream 2 could possibly comply with the EU Third Energy Package gas directive (it can't without deploying legal fictions (https://www.atlanticcouncil.org/blogs/energysource/the-neue-ostpolitik-approach-to-nord-stream-2-a-legal-fiction-carried-a-little-too-far/)), Putin is placing overt pressure on the European regulatory process by name-checking Germany's energy regulator.

That regulator, the Bundesnetzagentur, will ultimately have to certify that the project not only complies with EU regulatory norms (such as ownership unbundling and third-party access) but also determine if the project runs afoul of Article 11 provisions to assess whether Nord Stream 2 harms the energy security of the host member state or the Union as a whole (which, of course, it does (https://www.atlanticcouncil.org/blogs/energysource/the-neue-ostpolitik-approach-to-nord-stream-2-a-legal-fiction-carried-a-little-too-far/)). Putin seems to take particular joy in pressuring technical regulatory bodies in the EU, after characterizing (https://www.ft.com/content/5ec6b18d-c855-408d-acad-cb5779d101a8) European Commission energy officials in September as "smart alecs" for daring to advance "market-based" pricing, and the regulatory norms to ensure them.

Putin is openly telling Europeans that they can have as much gas as they want, but he will decide how it reaches them. By making it clear that Nord Stream 2 is the only route, its *raison d'être* — to end or significantly reduce gas transit via Ukraine — is once again laid bare. This is on top of Putin's latest impression (https://www.euractiv.com/section/global-europe/news/putin-says-ukraine-gas-pipeline-system-can-burst-at-any-time/)of *The Godfather*'s Don Corleone this month, when the Russian President ominously warned that the

Ukrainian Gas Transmission System (GTS) could "burst there at any moment" (read (https://mobile.twitter.com/ilvestoomas/status/1446202796093714444): "nice pipeline you got there, it would be a shame if something happened to it"). For its part, the Ukrainian government on October 22 called the Kremlin's bluff (https://www.reuters.com/business/energy/ukraine-offers-russias-gazprom-50-tariff-discount-extra-gas-transit-2021-10-22/), by offering a whopping 50% tariff discount to Gazprom for any additional gas volumes they are willing to send via the Ukrainian GTS.

Across Europe, there is other evidence of Russia playing energy games. Moldova declared (https://www.ft.com/content/849e05db-3b8f-4e9d-afaa-8c28c8670310) a national emergency following a sharp cutoff in supplies from Gazprom following the expiration of their previous long-term contract. The country has a pro-EU government and recently elected Maia Sandu as its new EU-oriented head of state. With Russia silent (its actions did the talking), Ukraine and Slovakia stepped in to help.

How much worse does the situation need to become? It is time for Germany's caretaker government to publicly declare that the Kremlin cannot continue to pressure its independent energy regulator. Otherwise, it will undermine public confidence in this and other vital EU energy regulatory institutions, which will harm the resilience of European democratic institutions more broadly. And Germany needs to immediately declare what should have been said weeks ago — that Russia's current market action, linked with its policy demands, is the very definition of energy weaponization. It should make good on its pledge to the Biden Administration to "press for effective measures at the European level, including sanctions," which must include sanctions aimed at ensuring Nord Stream 2 never comes online, so denying Russia a further tool to exert geopolitical pressure.

For her part, German Green Party leader Annalena Baerbock – a candidate for the post of Foreign Minister in the next government — has already called the situation (https://www.reuters.com/world/europe/germany-must-resist-russian-blackmail-over-pipeline-greens-co-leader-2021-10-19/) "blackmail." But with coalition talks ongoing, and a new government likely still months off, it is up to Merkel and team, in their last days in office, to follow their own agreement with the United States, and finally lead the EU in stopping Nord Stream 2.

Helping to facilitate this coordinated transatlantic sanctions response needs to be the immediate focus of the Biden Administration. The U.S. Congress already appears poised (https://kaptur.house.gov/media-center/press-releases/kaptur-applauds-house-passage-nord-stream-2-sanctions) to pass a bipartisan Nord Stream 2 sanctions bill by year's end; this time, with further limitations on waivers.

The transatlantic community needs leadership to move past this energy crisis, and fast. There's just no time to freeze.

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Photo: A worker is seen through a pipe at the construction site of the Nord Stream 2 gas pipeline, near the town of Kingisepp, Leningrad region, Russia, June 5, 2019. REUTERS/Anton Vaganov.

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