

## Shadowy Arm of a German State Helped Russia Finish Nord Stream 2

The threat of U.S. sanctions jeopardized completion of a second direct gas pipeline from Russia. So Gazprom and German officials concocted a phony climate foundation to get the job done.



By Katrin Bennhold and Erika Solomon

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SCHWERIN, Germany — Between a tram stop and a kebab shop, the gray building in the northeastern German city of Schwerin looks innocuous enough — and so does its tenant, the Foundation for the Protection of the Climate and Environment.

Yet this regional foundation, created 23 months ago by the local state government, has done little for the climate. Instead, it served as a conduit for at least 165 million euros from the Kremlin-owned energy company Gazprom to build one of the world's most contested gas pipelines: Nord Stream 2.

The United States in 2020 was threatening sanctions against any company working on the pipeline. The thinking was that putting companies under the umbrella of a foundation would deter Washington from imposing the penalties because it would then effectively be targeting a German government body.

So the climate foundation helped companies lease port space to service a Russian pipe-laying vessel, bought a multimillion-dollar rock-laying freighter and brokered a host of other transactions.

“Mission accomplished,” the head of the foundation, Erwin Sellering, a former state governor, wrote on its website in January, celebrating the pipeline's completion.

Any feeling of celebration ended a month later, however, after Russian troops swept into Ukraine, an invasion that forced a national reckoning about German complicity in Moscow's ambitions. The climate foundation is now under investigation by the state parliament, and it has become a case study of how far some German leaders were willing to go to keep cheap Russian gas flowing.

“This is as crazy as it gets — that a German government authority is taking money from Gazprom to complete the pipeline Gazprom can't complete because they are under U.S. sanctions,” said Constantin Zerger of DUH, a prominent German environmental watchdog.



The Foundation for the Protection of the Climate and Environment, center, in Schwerin, Germany, appears to have done little for the climate. Laetitia Vancon for The New York Times

Activists like him had questioned the point of the pipeline from the start. Germany already got 55 percent of its gas supply through another direct pipeline from Russia, Nord Stream 1.

Today Nord Stream 2 is all but dead politically — and also damaged by a mysterious explosion in September. Yet not long ago German leaders argued that Russian gas was a strategic national interest and dismissed geopolitical concerns about the pipeline raised by the United States, Poland and other countries. The pipeline was a priority for Moscow and Berlin alike, with German officials from both major parties acting as eager cheerleaders.

Nowhere was that more obvious than in Mecklenburg-West Pomerania, one of Germany’s poorest states and once part of the former Communist East, where both pipelines come ashore. Older generations there grew up on Soviet culture, and still remember when America was the enemy and Moscow the protector.



By The New York Times

Mr. SELLERING and his successor as governor, Manuela Schwesig, were allies of former Chancellor Gerhard Schröder, a fellow Social Democrat, personal friend of President Vladimir V. Putin of Russia and lobbyist for Russian energy companies.

Mr. Schröder's conservative successor, Angela Merkel, whose constituency was in Mecklenburg-West Pomerania, approved Nord Stream 2 after Russia's 2014 invasion of Crimea, and defended it even after Moscow hacked the German Parliament, assassinated a Chechen rebel in central Berlin and poisoned the Russian dissident Alexei Navalny.

Before the war, the current chancellor, Olaf Scholz, called Nord Stream 2 a "private-sector project" and last year, when he was finance minister, he personally wrote to his U.S. counterpart to demand a stop to sanctions. (In October, Mr. Scholz claimed that he "was always sure" that Mr. Putin would "use energy supplies as a weapon.")



European and Russian leaders celebrating the opening of Nord Stream 1 in 2011. Among them are former chancellor Gerhard Schröder, far left; Angela Merkel, chancellor at the time; Erwin Sellering, then governor of Mecklenburg-West Pomerania, farthest right with his hand on the valve; and, right, over his shoulder, Matthias Warnig of Nord Stream AG. John MacDougall/Agence France-Presse — Getty Images

Both Mr. Scholz and Ms. Merkel knew of the climate foundation. Neither of them spoke out against it, nor apparently minded as Moscow invested generously in Mecklenburg-West Pomerania and reactivated Cold War networks, including former spies, to deliver on the pipeline.

"We see Russia's influence on European politics in the microcosm of Mecklenburg-West Pomerania," said Claudia Müller, a Green lawmaker from the state. "It is the most successful example."

## Russia Day

In October 2014, seven months after Russia illegally annexed Crimea, Mr. Sellering, then governor of Mecklenburg-West Pomerania, hosted the state's first "Russia Day"

A networking bonanza sponsored by Gazprom and Nord Stream, it was held in the Hotel Neptun, still called the "Stasi hotel" for its reputation as a hub of the former East German secret police.

The guest list included ex-spies, notably Matthias Warnig, the managing director of Nord Stream AG, which built and operated Nord Stream 1. In 1988, he won a Stasi medal for services recruiting Western spies. Now, he was recruiting German supporters for a second Russian pipeline. (His communications director, Steffen Ebert, was a former Stasi informer whose code name was "Bull.")



The view from the Hotel Neptun, where German and Nord Stream officials celebrated Russia Day. Laetitia Vancon for The New York Times

Even then, Mr. Putin's ambitions in Ukraine cast a shadow over Nord Stream 2. Ms. Merkel led the first Western sanctions against Russia that spring over its annexation of Crimea, though they stopped short of cutting off Russian gas.

Andrey Zverev, then Russia's deputy ambassador, told the German newspaper Die Welt that year that a "relaxed dialogue" with Berlin had become impossible. Instead, he said, Moscow was focusing its efforts "one level down."

The example he cited was "Russia Day."

The lobbying paid off. By the time the state's next Russia Day came in 2016, Berlin had approved Nord Stream 2. It would land in Lubmin, a tiny coastal village where the Nord Stream 1 pipeline had pumped out Russian gas since 2011. Lubmin's mayor, Axel Vogt, was thrilled. Nord Stream was already donating €3,000 a year to village coffers, and paid millions of euros in taxes.

As construction began, Poland warned that Moscow could weaponize control over Europe's gas supplies, a concern other allies began to share.



The Nord Stream 1 gas pipeline in Lubmin in September. Laetitia Vancon for The New York Times

In 2019, the United States placed sanctions on Gazprom and other Russian companies working on Nord Stream 2. Congress then floated the idea of the so-called extraterritorial sanctions, targeting any company — even outside Russia — working to finish the pipeline.

Though never enacted, the mere threat was enough to jeopardize the pipeline, which was 90 percent complete. The Swiss-Dutch contractor Allseas withdrew its pipe-laying ships. The project ground to a halt.

Germany was outraged, and feelings were particularly bitter in Mecklenburg-West Pomerania.

“To many people here, America was the bully,” said Mr. Vogt, Lubmin’s mayor, who grew up studying Russian. “It wants to sell its own oil and gas.”

### **Working around U.S. threats**

That view was only reinforced when a letter from three powerful Republican senators landed on Aug. 5, 2020.

Ted Cruz of Texas, Tom Cotton of Arkansas and Ron Johnson of Wisconsin warned of “crushing legal and economic sanctions” if local German companies continued working on the project.

“This wasn’t just advice,” said Frank Kracht, the mayor of Sassnitz, home to the Mukran port that was one of the state hubs helping to build the pipeline. “This was a threat.”

German leaders were infuriated.



Frank Kracht, the mayor of Sassnitz, described the letter from U.S. senators as “a threat.” Laetitia Vancon for The New York Times

Ms. Merkel, then chancellor, said the pipeline should be finished. Mr. Scholz, then finance minister, wrote to U.S. Treasury Secretary Steven T. Mnuchin and proposed “unhindered construction and operation of Nord Stream 2” in return for investing up to €1 billion in terminals to import U.S. gas. Washington refused.

Less than two weeks later, Mr. Warnig, by now the chief executive of Nord Stream 2, pulled up outside the Mecklenburg-West Pomerania state house, carrying a bouquet. It was the first of several meetings with the governor, Ms. Schwesig, about how to work around the continuing threat of U.S. sanctions, according to a list of meetings the state was forced to release to Parliament.

A month later, in September, they had a three-hour dinner with former Chancellor Schröder.

It was then that the idea of a state-backed foundation arose as a means to shield companies.

“There were repeated exchanges in the course of frequent telephone calls with a representative of Nord Stream 2 about whether and how a possible protective umbrella” could be created, Christian Pegel, then the state’s energy minister, told The New York Times. “By the fall, the idea of a foundation had crystallized.”

Emails released under Freedom of Information requests from activists and media outlets show that Nord Stream 2 co-wrote the foundation statutes, dictating changes to Ms. Schwesig’s government, and laid down communication guidelines.

One email from Mr. Ebert, the Nord Stream 2 communications chief, told the government “to position the foundation with a wink as a ‘smart answer’ to the hard-line behavior of the U.S.A.”

But most important was the secretive business arm of the foundation, whose explicit goal was completing the pipeline.

Mr. Pegel described the business arm as a “warehouse” — buying and storing supplies that German companies needed to help Russian vessels complete the pipeline, and thus shielding them from possible sanctions.

But the foundation went further than that.

In the nearby coastal city of Rostock, the foundation financed a company leasing docking space purportedly to service offshore wind power but in fact servicing the Russian ship used to lay pipe. It also spent €18 million to buy and convert the freighter Blue Ship into a rock-laying vessel, according to documents first published by the German newspaper Welt.



Rostock, where the foundation financed docking space to help complete Nord Stream 2. Laetitia Vancon for The New York Times

Blue Ship completed its work in January this year, satellite data shows. By February, under international pressure and two days before Russia invaded Ukraine, Chancellor Scholz suspended the project.

Nord Stream 2 has never been used.

## **‘We wanted the pipeline’**

The invasion spawned a long-postponed reckoning for Germany over its ties to Russia. But it is far from over.

As temperatures drop and heating costs rise, in Ms. Schwesig’s state as in other parts of Germany, protesters take to the street every week. Many come with a simple battle cry, emblazoned on stickers and banners.

“Reopen Nord Stream 2.”

Many officials, too, remain unconvinced that the pipeline was wrong.

Mr. Sellering, the former governor, still rages against “repugnant” U.S. sanctions, insisting what underpinned his foundation’s work was the “belief in Germany’s sovereignty.”

Under mounting legal pressure, his foundation disclosed that it had received €192 million from Nord Stream 2, money it used to play middleman in the construction of the pipeline involving 80 companies in 119 transactions worth €165 million.

The foundation also confirmed that, for every transaction on Nord Stream 2’s behalf, the foundation earned a 10 percent commission.

Mr. Sellering declined to be interviewed by The Times.



“Allegedly the Russians influenced us,” said Manuela Schwesig, governor of Mecklenburg-West Pomerania. “We weren’t influenced, we wanted the pipeline.” Laetitia Vancon for The New York Times

Since Russia’s invasion, Ms. Schwesig has distanced herself from the pipeline. But she rejects the idea of having been duped by Moscow.

“Allegedly the Russians influenced us,” Ms. Schwesig told The Times. “We weren’t influenced, we wanted the pipeline.”

She has delayed hearings with officials from her administration, saying it would distract from their government work. Some emails sent to the investigation appear to be missing, while no minutes were taken during some state meetings with Nord Stream 2.



Hannes Damm, a Green member of the state parliament, in Rostock, Germany, in October. Laetitia Vancon for The New York Times

“How can you hold a government to account that doesn’t document anything?” asked Hannes Damm, a Green Party state lawmaker on the investigating committee.

Mr. Damm and other lawmakers are drawing up a list of witnesses that could include not just Ms. Schwesig but two former chancellors, Ms. Merkel and Mr. Schröder.

But he worries the delays mean the investigation may not conclude before the end of the legislative term in 2026. Should that happen, the investigation would automatically expire.

Christopher F. Schuetze contributed reporting from Berlin.