

NORD STREAM 2

RETHINK THE DEAL

**PUTIN'S NORD STREAM 2
PIPELINE AND ITS REAL
COSTS TO EUROPE**

**FREE
RUSSIA**



Putin's Nord Stream 2 Pipeline and Its Real Costs to Europe

[#RethinkTheDeal](#)

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Critical Issues: The Dutch People Deserve a Frank Discussion

Dutch energy bosses from Royal Dutch Shell and Gasunie who get lucrative deals from Gazprom are enthusiastic about the Kremlin-led Nord Stream 2 gas pipeline via the Baltic Sea. They call it “a commercial deal.” However beyond policymaking circles, Dutch citizens have hardly been informed about this toxic project as there has been no proper debate across society.

This highly expensive project, corruptly subsidized by the Kremlin-led monopoly at the expense of Russian taxpayers, has many grave environmental, political, and economic implications for the Netherlands and wider Europe, which our conference seeks to address.

Gazprom, even when compared with other fossil fuel peers like Shell, has an egregious record of gas leaks from the pipeline and gas flaring at production, contributing heavily to climate change and rising sea levels. This undermines Dutch security and environmental goals and refutes the myth that gas from Nord Stream 2 can serve as a bridge from coal to renewables.

Having violated international laws and falsified public hearings and reports, Nord Stream 2 is destroying the Kurgalsky Nature Reserve in the Gulf of Finland. Throughout the Baltic Sea, construction of Nord Stream 2 is causing water pollution. According to leading environmental activists, this project is affecting Natura 2000 sites and multiple animal life.

One of the new major resource bases of Gazprom to feed gas to Nord Stream 2 is in Yamal where indigenous people are suffering interference to their traditional way of life and disruption to the natural environment from the monopoly. The same has been happening to other indigenous people in Russia where Gazprom operates. This largely occurs away from the purview of international human rights and environmental groups and warrants deeper examination.

Politically, the Dutch people might not realize how

much this Kremlin-led pipeline will divide the EU. Russia has often acted as a bully and aggressive spy in the Baltic Sea and Northwestern Europe and will likely use Nord Stream 2 to continue these actions. What is more, Russia will be less restrained to re-start war in Ukraine. Gazprom has used coercion against many EU states, for example, by cutting down supplies via Nord Stream 1 in 2014-15 to stop reverse gas flows from the EU to Ukraine. Gazprom has a stronghold in the Netherlands through multiple subsidiaries and Moscow’s policy is appeased, despite the fact the Kremlin shamelessly continues to deny its role in downing of MH17 plane and other malign activity against Dutch and EU citizens and institutions.

Economically, Nord Stream 2 will make Eastern Europe hostage to bilateral relations between Moscow and Berlin, while Dutch and other Western consumers will be vulnerable to price hikes because of the loss of flexibility and gas-to-gas competition under the existing system. The vested interests of Gazprom’s partners in Germany and the Netherlands, as well as those of pipeline operators, are protected at the expense of Russian taxpayers and ordinary western consumers. In Russia, Gazprom’s corruption for the benefit of Putin’s insiders will further flourish, while common people will remain deprived of basic healthcare, education, and even gas.

Dutch citizens should be aware that with this project, their government acts contrary to EU energy principles and selfishly against the majority of EU states and EU parliament. The Netherlands is aiding an authoritarian and corrupt state and fails to be a team player in the EU.

We welcome you to listen to our speakers and ask them critical questions, to form your own opinion and engage in a frank discussion about all these sensitive but pertinent issues!

Five Key Takeaways: Factors That Should Concern The Dutch Society

1. Nord Stream 2 Is Bad for the Environment

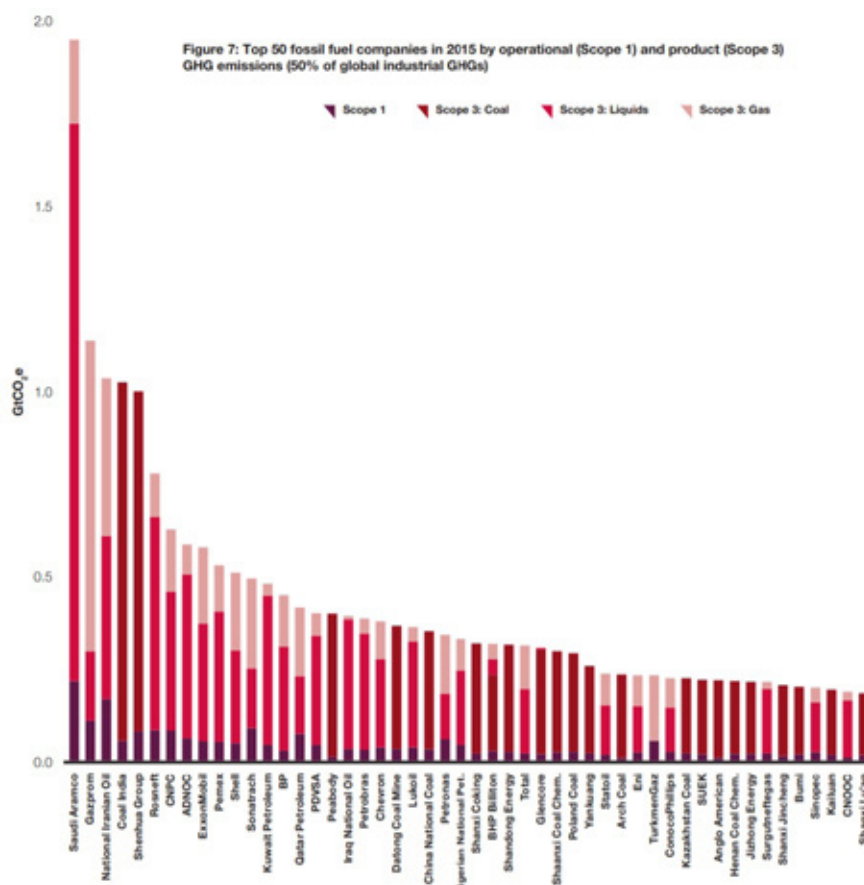
Gazprom's activity has a devastating impact on climate change, Baltic Sea nature, and indigenous people

Energy and climate change specialists are no longer in consensus that gas is a genuine “bridge fuel” from coal to renewables.¹ Methane leaks contribute hugely to global warming, and these leaks from all major fossil fuel companies during production and transportation are now seen as much higher than was thought in the last decade.²

However, even if there is still room for doubt about the damage from methane leaks from a regular western

gas company, there is no doubt that Gazprom is one of the worst among its global peers in terms of climate change.

The Carbon Disclosure Project (CDP), in collaboration with the Climate Accountability, conducted an investigation of active fossil fuel producers. According to this investigation, Gazprom's greenhouse gas emissions totaled 35,221 billion tons from 1988 to 2015.

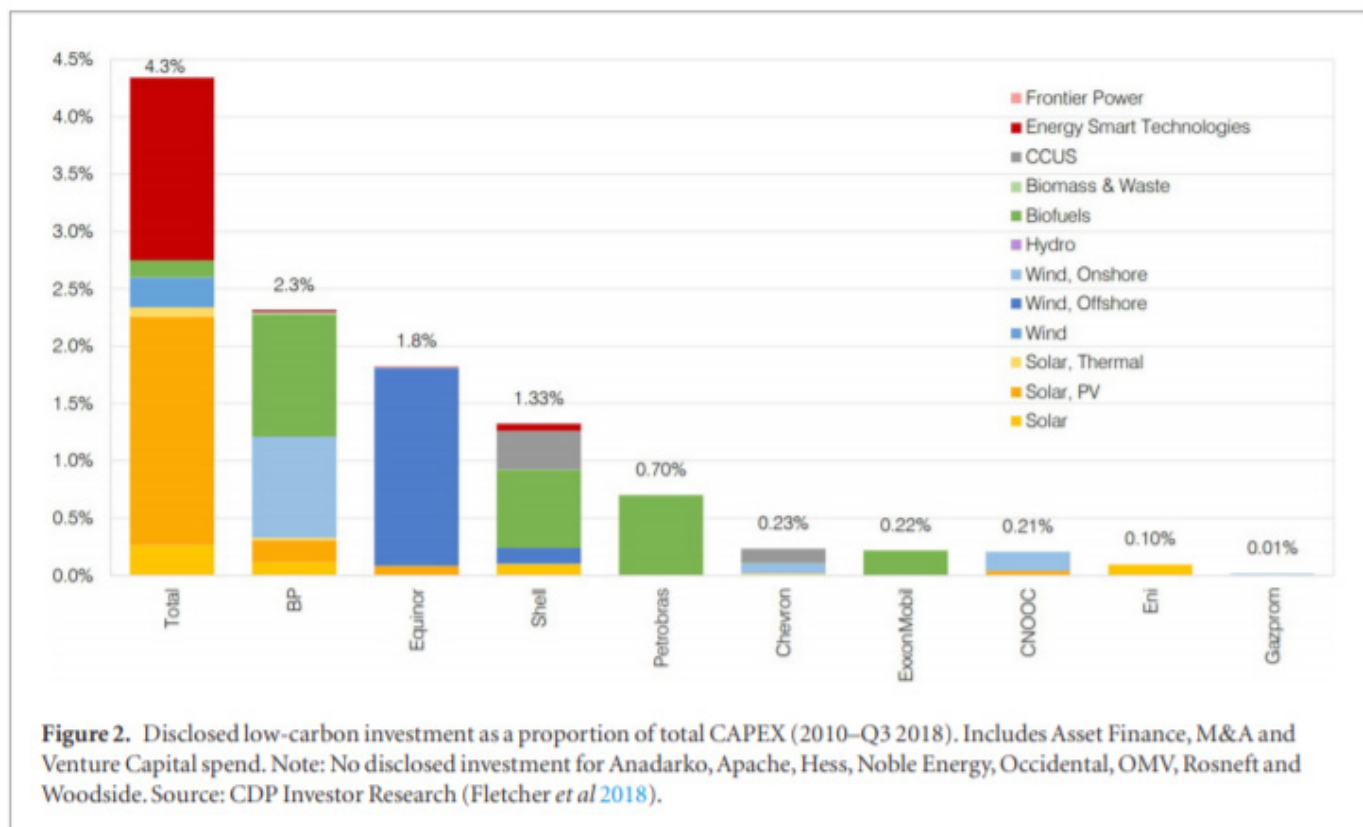


1 <https://www.ft.com/content/3c35a7d2-7d56-11e9-81d2-f785092ab560>

2 <https://www.wiwo.de/technologie/green/studie-erdgas-ist-klimaschaedlicher-als-kohle/13549760.html>

CDP shows that Gazprom is the second largest “producer” of greenhouse gases on the planet.³

Gazprom invests much less in low carbon investment compared to its peers, despite “green” rhetoric from its partners and lobbyists.⁴



Maybe Gazprom, a state-controlled monopoly, is just an aberration within Russia’s oil and gas sector? No, it is a consistent government policy of negligence to key issues surrounding climate change and Gazprom. According to the Global Gas Flaring Reduction (GGFR) program at the World Bank, for years Russia

has remained a champion of wasteful and harmful flaring from oil and gas activity – much more than any other comparable country.⁵ And this is despite almost 20 years of futile promises from the President of Russia, Vladimir Putin, and Gazprom to tackle the problem of massive gas flaring.

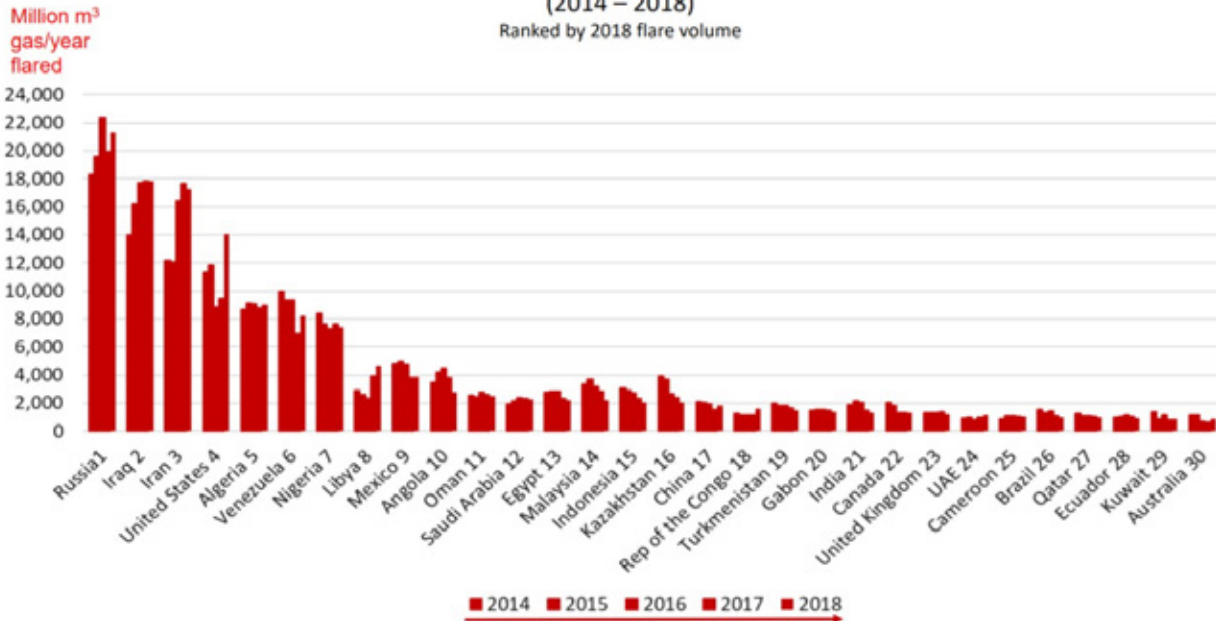
3 <https://6fefcbb86e61af1b2fc4-c70d8ead6ced550b4d987d7c03fcdd1d.ssl.cf3.rackcdn.com/cms/reports/documents/000/002/327/original/Carbon-Majors-Report-2017.pdf?1501833772> p. 10

4 <https://iopscience.iop.org/article/10.1088/2516-1083/ab2503/pdf> p. 3

5 <http://pubdocs.worldbank.org/en/645771560185594790/pdf/New-ranking-Top-30-flaring-countries-2014-2018.pdf>



The new ranking – top 30 flaring countries
(2014 – 2018)
Ranked by 2018 flare volume



Source: NOAA, Colorado School of Mines, GGFR

Gazprom should be called out for its hypocrisy, as the monopoly prevents other Russian oil companies from reducing their flaring by blocking them out of the domestic gas transit system known as Unified Gas Supply System (UGSS).⁶ So instead of saying Nord Stream 2 will improve the climate change situation, maybe Gazprom should invest and allow much required third party access for otherwise flared gas inside Russia?

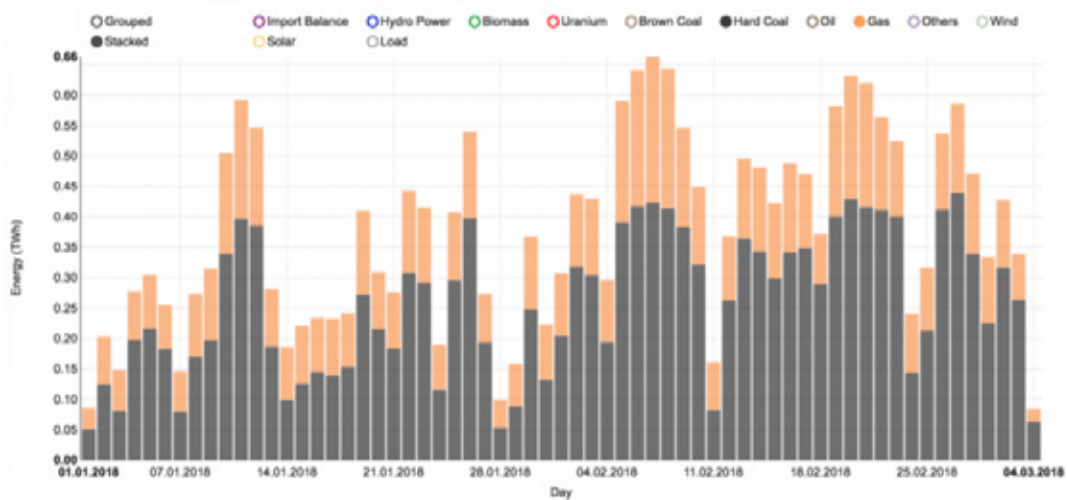
In terms of climate change, Nord Stream 2 is bad for Europe, not just Russia. Experts point out that if gas transit through Ukraine is closed, then there is not enough available pipeline capacity from Germany in the eastward direction to feed all necessary gas to Central and Eastern Europe, especially during peak times. This means that the energy deficit will have to be covered, at least partially, by dirty coal.⁷

In fact, Mikhail Korchemkin from East European Gas Analysis suggests that the so-called “capacity optimization plan” of Gazprom puts at risk the reduction of greenhouse emissions in the EU. By capacity optimization plan, Gazprom means that after Nord Stream 2 is launched, it will liquidate most of pipeline capacity at the Russian-Ukrainian border, effectively creating a deficit of peak gas in Central Europe. Renewable energy is supposed to be backed up by peak-load gas turbines, but without additional volumes of gas provided by the highly flexible capacity of the Ukrainian transit system, renewables would have to be combined with coal-firing plants throughout affected areas of Europe (for more on “optimization plan” see below).

6 <http://ccsi.columbia.edu/files/2014/06/Russia-APG-utilization-Case-Study-Nov-2016-CCSI.pdf> p.13
7 <https://eegas.com/images/archive/2018-03-06-Tallinn-Korchemkin.pdf> p.8

NS2 to Promote the Use of Coal in Central Europe

Daily electricity generation from hard coal and gas power plants in Germany in 2018



Net generation of power plants for public power supply.
 Datasource: 50 Hertz, Amprion, Tennet, TransnetBW, Destatis, EEX
 Last update: 04 Mar 2018 10:09

Source: Fraunhofer ISE

6-Mar-2018

Mikhail Korchemkin

8

In the Baltic Sea, the Nord Stream 2 pipeline runs through marine protected areas of the Natura 2000 network. According to the Finnish Centre for Economic Development, Transport, and the Environment, Nord Stream 2 poses risks to the fragile eco-balance of the Baltic Sea, including Natura 2000 sites.⁸ This damage is not justifiable by public interest.

Greenpeace and other environmental groups say construction of Nord Stream 2 has been polluting Germany's Baltic coast with toxic grease found on beaches and in the sea and damaging various forms of flora, fauna and marine life in the region.⁹ As a result of the construction of the pipeline along the bottom of the Baltic Sea, an outburst of 140kg of grease occurred, (grease was used to lubricate moving pieces on a dredger). The German Nature and Biodiversity Conservation Union (NABU) concluded that the pipeline is a disturbance to five Natura 2000 sites in coastal areas and the Exclusive Economic Zone (EEZ) in Germany.

A comprehensive study from 2017 by the World Wildlife Fund (WWF) and the German NABU detail damage in several countries caused by deforestation, sand extraction and lax species conservation regulations in the course of construction of Nord Stream 2.¹⁰

On the territory of Russia, the Nord Stream 2 gas pipeline passes through the high-value natural area called Kurgalsky Nature Reserve¹¹ which has now become a place of environmental catastrophe because of Gazprom.

In preparation for this conference Evgeniya Chirikova, an environmental activist from Russia, made a special survey of violations that Nord Stream 2 has inflicted on the Kurgalsky reserve. According to her research and interviews with individuals from multiple environmental NGOs, the chosen pipeline route is extremely destructive for nature and violates several domestic and international laws.

8 <https://www.clientearth.org/nord-stream-2-useless-and-illegal/>

9 <https://www.dw.com/en/nord-stream-2-german-environmentalists-sue-to-halt-construction-of-controversial-gas-pipeline/a-44507377-0>

<https://www.dw.com/en/nord-stream-2-pipeline-row-just-got-dirty/a-46697714>

10 https://ccb.se/Evidence2017/BUND_NABU_WWF_comments_NS2.pdf

11 <https://ccb.se/savekurgalskiy>



Source: Activatica¹²

The Dutch government, NGOs and media should note that the Nord Stream 2 AG company's website contains several statements that can safely be called false or misleading.

In the section about Nord Stream 2 in Kurgalsky reserve the site states, "Nord Stream 2 will be implemented in accordance with Russian and international legislation." This statement is a lie, since the Nord Stream 2 project violates several international conventions: the Ramsar Convention on Wetlands of International Importance, the Convention on the Conservation of Migratory Species of Wild Animals, and the Helsinki Convention on the Protection of the Marine Environment of the Baltic Sea Area. Additionally, construction of the Nord Stream 2 pipeline is in violation of the Russian Federal Laws "On Wildlife" and "On Specially Protected Natural Territories".

Greenpeace Austria has received secret minutes of meetings between Russian government members and representatives of Nord Stream 2 AG and Gazprom from a former high-ranking official of the Russian Ministry of the Environment, which discussed the changes in environmental legislation or the boundaries of Kurgalsky nature reserve for the implementation of the Nord Stream 2 project.¹³ At the moment, it is impossible to

assess the damage from changes in Russian legislation, since not only the Kurgalsky nature reserve, but also all other Russian reserves are under threat.

However, what is already known for certain is that species (plants, flowers, mosses, birds, lizards) which are listed in the Red Book of the Russian Federation and the Red Book of the Leningrad Region are found on the planned route and are now under threat of extinction. The construction of Nord Stream 2 in the habitats of the white-tailed eagle and in the immediate vicinity of their nests is a violation of the Federal Law "On Wildlife" and of the Federal Law "On Specially Protected Natural Territories".

Experts of the Botanical Institute. V. L. Komarova of the Russian Academy of Sciences analyzed the results of transplanting Red Book plants from the pipeline corridor. In eight of the nine examined sites transplanted plants had died. At one of the sites where, according to the documentation, more than 11 thousand plants of *Drosera intermedia* were transplanted, botanists found "several thousands of plants in an oppressed state ... We can state the fact that more than 95% of plants died." Instead of "*Pulsatilla patens*" at the site where, according to the report, Company "Ecoproject" (a contractor of the project developer Nord Stream 2 AG) transferred

¹² <https://www.youtube.com/watch?v=MY2fMn574U>

¹³ https://secured-static.greenpeace.org/austria/Global/austria/fotos/Presse/Greenpeace_Geheimakte_Nord_Stream_2.pdf

plants, scientists found “hybrids of *Pulsatilla pratensis* and *Pulsatilla patens*.” The hybrid is not included in the Red Book of the Leningrad Region and “was not subject to transplantation.” The conclusion says, “Hybrid plants are characterized by higher viability, which led to their good survival after transplantation.” Thus, it turns out that the Nord Stream 2 campaign falsified data on the results of transplantation of rare Red Book plants in the pipeline corridor.

Important information about the significance of the Kurgalsky Nature Reserve is hidden in Environmental Impact Assessment reports of Nord Stream 2 AG, also known as Espoo (Espoo reports document potential transboundary impacts of the project on nature). The regime of the Kurgalsky reserve is not reflected in the Espoo materials and other materials justifying the choice of the pipeline route. The Espoo materials are in violation of multiple laws and regulations, both domestic and international, such as Article 4 of the Convention on Environmental Impact Assessment in a Transboundary Context (the Espoo Convention) and the Ramsar Convention on Wetlands. The Espoo materials present unreliable data about the choice of the route with respect to conservation of marine mammals and birds.

In the “Environmental and social initiative strategies” section of their website, Nord Stream 2 AG says,

“our environmental and social initiative strategies guarantee responsible implementation of the project in the most sustainable way.” This statement raises serious and reasonable doubts.

Independent experts from the Center for Expertise (ECOM), a research entity for Saint Petersburg naturalists, did an assessment of the environmental impact of Nord Stream 2 which they presented to the public in January 2018. After evaluating 138 volumes of material on the Nord Stream 2 project, ECOM concluded that the company skimps on the environmental safety of the project; In their opinion, the gas pipeline could have run through the Narva Bay bypassing the Kurgalsky reserve through micro-tunnelling, as was done in Germany, but then project costs would have increased. The ecologists could not estimate the exact cost of the increase but estimated it would be no more than 0.5% of the project cost.

Double standards have been applied while deciding on the route of the pipeline in Germany and Russia. In Germany, where the value of the coastal territory is disproportionately smaller than in the territory of the Kurgalsky reserve, Nord Stream 2 AG nevertheless considers it possible to use a micro-tunneling method in the construction process, justifying this by the advantages of this method.



Source: Activatica ¹⁴

14 <http://m.activatica.org/blogs/view/id/5494/title/v-kurgalskiy-zakaznik-vyshli-buldozery>

In Russia, under similar conditions and in comparably greater (albeit deliberately understated) value of the Kurgalsky reserve, the “traditional method of construction with an open trench with corridor width of 85 m” is adopted. This method has major implications on wildlife in Kurgalsky.

ECOM concluded that the project is inadmissible due to the inconsistency of documentation justifying the planned construction to the requirements established by Russian legislation, international conventions, and the Constitution of the Russian Federation. Also, they concluded that the Environmental Impact Assessment (EIA) materials intentionally downgrade the value of the Kurgalsky wildlife sanctuary as compared to the alternative route through the Soikino peninsula. Finally, there is no program of environmental monitoring or control in the course of the construction and exploitation on either sea or onshore segments.

Evgeniya Chirikova, as well as many other activists that she has interviewed, also believes that the violations that Gazprom has pushed through against Kurgalsky Nature Reserve has now set a new low precedent. Removal of domestic regulations and circumvention of existing international laws protecting this reserve can now be easily replicated by Gazprom elsewhere against natural reserves in Altay and other regions where the monopoly wants to build its massive trunk pipelines. The same goes for the manipulation of public hearings, which are supposed to be an integral part of any genuine due process, but are carried out fraudulently by the monopoly.

Public meetings related to construction of Nord Stream 2 in Kingisepp, Russia were heavily manipulated. Contrary to what the Nord Stream 2 AG and local officials argue, residents that attended public meetings did not express support for the Nord Stream 2 project. Representatives of environmental NGOs warned about falsifications in the EIA documentation of the project - which is evident in the minutes of the meeting.¹⁵

Furthermore, when asked to come to Kingisepp for the meeting, some of the locals did not know the pur-

pose of the meeting. Also, many local residents were not informed about the public meetings, so they could not join. Some residents in the Kurgalsky region identify themselves as indigenous people: Izhora, Ingermanlanders, and Vod. According to the ILO 169 (The Indigenous and Tribal Peoples Convention, 1989 is an International Labour Organization Convention, also known as ILO-convention 169) standards, these people fall under the protection of Free Prior and Informed Consent (FPIC). As these people were not properly informed, nor consulted with, FPIC was not implemented. Residents of eighteen villages of Kingiseppsky district of the Leningrad region addressed the President of Russia. In their public letter they asked to stop Nord Stream 2 pipeline and spare Kurgalsky reserve.

The Dutch government sponsors various projects protecting indigenous people around the world, including in Russia. The Kremlin, however, has recently increased its suppression of any genuine defense of the rights of indigenous people.¹⁶ People in Netherlands should be informed that Gazprom’s operations linked directly to Nord Stream 2 destroy areas of indigenous people in Yamal. This is a significant topic scarcely covered by western press and NGOs because Gazprom has restricted activists’ and reporters’ access to Yamal.

Gas for the Nord Stream 2 project will be produced on the territory of Yamal, inhabited by indigenous peoples who lead a nomadic lifestyle. In 2012, the first gas supplies were produced from the vast Bovanenkovo reserve, and billions of cubic meters of gas are now piped to Western Europe via Nord Stream 1. As a result of this exploitation, many indigenous inhabitants have had to relocate or leave the Yamal Peninsula for fear of being forced to live in permanent settlements.¹⁷ At the same time, the Russian government is flooding the discussion around the rights of indigenous people with government-organized NGOs (GONGOs) and uses mechanisms of monetary cooptation and intimidation to silence protests and dissent. Further materials about what is happening in Yamal will be presented at the conference.

15 http://www.ccb.se/Evidence2017/NS2/Protokol_Espoo_public_Kingisepp.pdf

16 <https://www.culturalsurvival.org/news/new-report-highlights-indigenous-rights-violations-russia>

17 <https://minorityrights.org/russia-a-way-of-life-under-threat/>

2. Nord Stream 2 Will Break Apart The EU

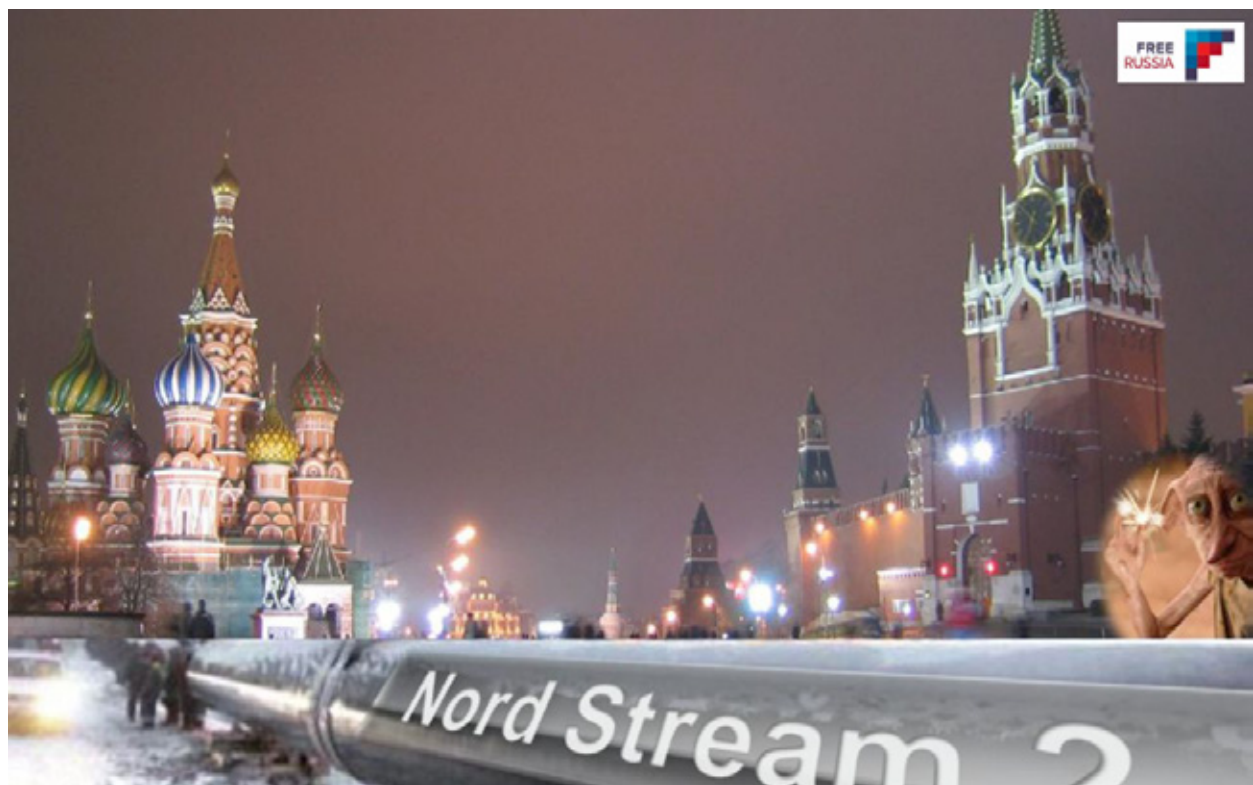
Many EU members oppose it. It will make other members more exposed to Russian political pressure and blackmail.

The majority within European Union – i.e. 80% of the Members of the European Parliament, and 24 out of 28 member states - oppose Nord Stream 2 in the way the Kremlin and the German government want it to proceed.¹⁸

With Gazprom directly supplying large quantities of gas to the west European markets, avoiding eastern Europe, the existing West-East capacity would quickly be exhausted. This would make it impossible to deliver any more gas from north-western countries to the

South-East of Europe.¹⁹ Almost all countries to the East of Germany will be significantly affected, while in countries that have a high demand for gas, Gazprom will essentially get a captive market.

Launching Nord Stream 2 will reinforce Gazprom's dominant position in countries that are already susceptible to Russian influence in their political agenda. Large parts of Central and Eastern Europe, not just Ukraine and the Balkans, will face much higher risks of coercion.



Contrary to its propaganda of being a reliable partner, Gazprom, in fact, has an astonishing record of being a disruptive and aggressive bully in Europe. Swedish scholars identified over 40 politically driven energy cut offs and altogether over 50 coercive incidents by Gazprom against Russia's neighbors between 1991 and 2004.²⁰

In 2006 and 2009 Gazprom created artificial crises by halting gas transit via Ukraine, trying to present the latter as the culprit "stealing gas." However, what should really concern the EU is that in both instances, Gazprom shut down the gas valves under orders from the Kremlin, it was not Ukraine that turned them off.

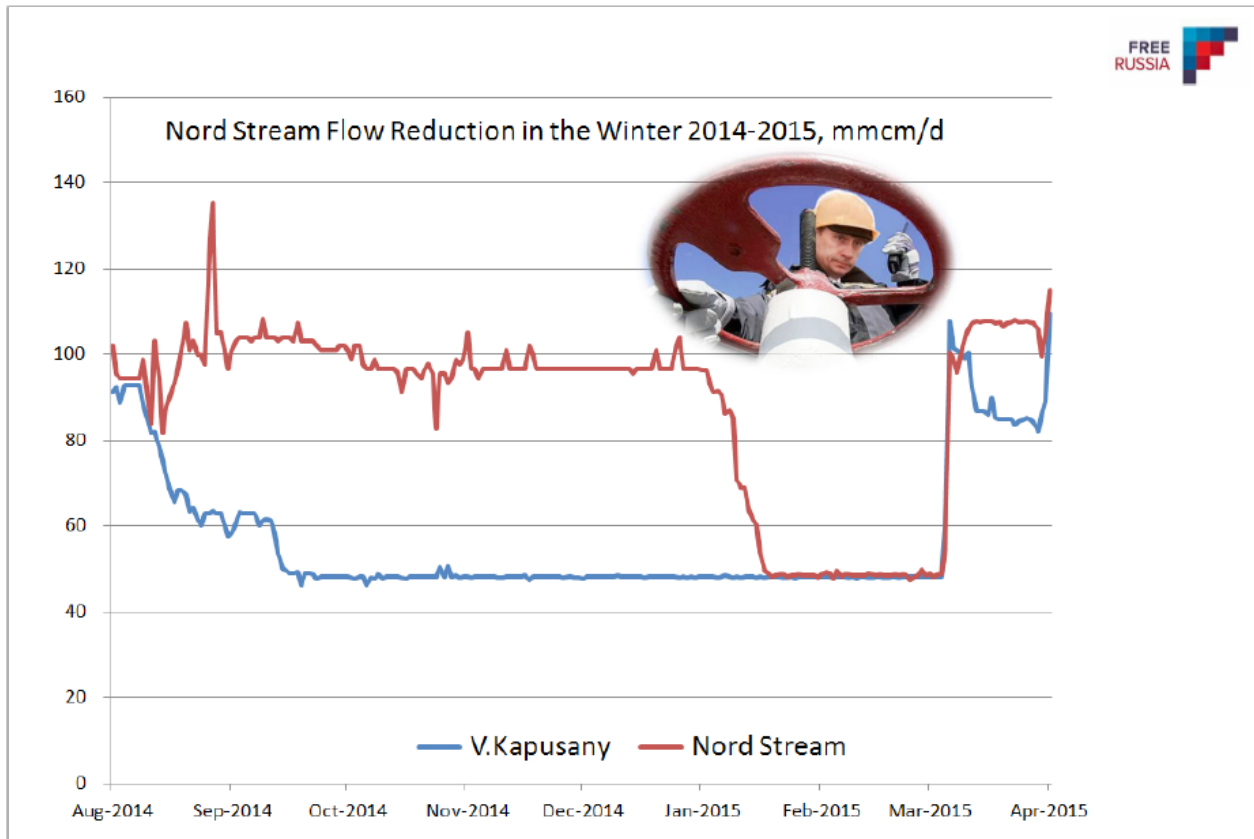
18 <https://www.neweurope.eu/article/meps-oppose-nord-stream-2-in-european-parliament-resolution>

19 <https://bruegel.org/2017/06/nord-stream-2-means-gains-for-germany-but-pain-for-europe>

20 <https://ntrl.ntis.gov/NTRL/dashboard/searchResults/titleDetail/PB2007106453.xhtml>

More recently, from autumn 2014 to spring 2015, Putin ordered Gazprom to unilaterally reduce daily supplies to the home countries of companies that displeased the Kremlin by selling gas to Ukraine through reverse gas flow mechanisms. One of the companies

was German RWE that was “punished” by a 50% cut of daily flow via the “risk-free” Nord Stream 1 pipeline. This is the most serious act of coercion by Gazprom in Europe since the company’s 2009 transit halt.



In 2015, Russian naval vessels chased and disrupted ships in Lithuania’s exclusive economic zone in the Baltic Sea that were laying the NordBalt electricity cable, which is intended to create an integrated Baltic

electricity market.²¹ These Russian naval actions present a new military threat to energy in Europe and can similarly be deployed after Nord Stream 2 is launched.

3. Nord Stream 2 Is a Bad Business Deal

When examined on its merits it makes no economic sense for regular Dutch/Western consumers.

One of the most widespread myths that Gazprom and its partners are spreading in the Netherlands is that because of the closure of the Groningen gas field by 2030, Nord Stream 2 is a must for the country and the EU. “Europe closes down its own productions and needs new Russian gas.” This is not true and misleading, as Nord Stream 2 does not bring new gas, it simply diverts

old volumes from Ukraine to Europe via a new route. Also, Nord Stream 1 and 2 flows cannot reach Western Europe easily via existing infrastructure but instead are deliberately targeted to Baumgarten gas hub in Austria. In other words, gas flows from Nord Stream 2 go in the wrong direction to address declining domestic natural gas production in Western Europe, even if Nord Stream

21 <http://www.gmfus.org/blog/2015/05/20/russia-strikes-back-against-europe%E2%80%99s-energy-union>

2 provided additional supplies of gas to the EU market, which it does not.²²

The German Institute for Economic Research, commonly referred to as DIW Berlin, conducted a comprehensive study of European gas demand and its outlook and concluded that "the natural gas supply is currently already very diversified and can be supplemented by additional liquefied natural gas supplies. Due to the foreseeable decline in European natural gas production [Groningen's closure was included in calculations], a large, expensive pipeline from Russia with a planned annual capacity of 55 billion cubic meters is not necessary."²³ In fact, recent gas market developments suggest that the Netherlands face a problem with peak time capacity which Nord Stream 2 is unlikely to solve even under a best-case scenario, unless the country invests in much bigger storage capacity.

Mikhail Korchemkin from East European Gas Analysis explains that historically, Groningen gas field provided a seasonal swing of monthly output from winter to summer. Additional seasonal demand in Continental Europe was also met by Norwegian gas production in the North Sea. The scheduled sharp drop in production from Groningen coincided with the permanent closure of the giant Rough storage in the United Kingdom. In Britain, the higher off-takes of peak Norwegian gas compensated for the loss of the storage facility but left less gas available for the Netherlands and Continental Europe.

Russia's Nord Stream 1 and 2 are incapable of solving this problem facing the Netherlands, as they are designed to ship equal daily volumes throughout the year regardless of the seasonal change in demand. These pipeline projects create additional demand for peak gas in Germany that used to be covered by Dutch gas from Groningen. The situation is further complicated by the announced closure of Gazprom pipelines at the Russian-Ukrainian border right after Nord Stream 2 launches. This is the only route that allows flexible supplies of Russian gas due to the flexibility of the Ukrainian

system. Nord Stream 2, with the European Gas Pipeline Link (EUGAL), does not have such flexibility and is unable to respond to the seasonal and short-term change of demand (e.g. low wind condition).

According to the study by the Directorate-General for Energy (Study on a Gas Market Design for Europe),²⁴ Nord Stream 2 combined with the elimination of Ukrainian transit "creates a serious congestion and related price divergence between NW and CSEE Europe... Once it is built, the impact of Nord Stream 2 on EU consumers' welfare depends on the unilateral decision of Russia how to use (or not to use) the Ukrainian transit pipeline system," the report says. The "optimization plan" indicates Gazprom plans to choose the option of damaging the welfare of European consumers.

The only theoretical solution to this problem, in case the Netherlands/Northwestern Europe chooses to rely on Nord Stream 2 supply, is to invest heavily in new storage capacity to regain flexibility of supply during peak times and emergency demand. However, that would not only require an initial large capital investment but it would also mean extra storage costs on a continuous basis, which means increased consumer costs. It seems public awareness and discussion of this significant economic threat stemming from reliance on Nord Stream 2 is lacking.

There has not been a proper study on the economic impact for consumers in the Netherlands, Germany and other Northwestern Europe, the findings of which are likely to be negative at worst or mixed at best. With the oversupply of Russian gas to Germany, there would be less gas-to-gas competition in the Europe's largest gas market. However, DIW Berlin suggests Germans will have to pay for additional pipelines to use Nord Stream 2. These costs include the expansion of the NEL's (Northern European gas pipeline) capacities and the construction of the EUGAL. The cost of these additional pipelines is estimated between 0.5 billion²⁵ to 3 billion euros.²⁶

22 <https://www.atlanticcouncil.org/blogs/energysource/nord-stream-2-from-eu-law-to-us-sanctions-law>

23 https://www.diw.de/en/diw_01.c.593668.en/nachrichten/natural_gas_supply_no_need...her_baltic_sea_pipeline.html

24 https://ec.europa.eu/energy/sites/ener/files/documents/quo_vadis_report_16feb18.pdf

25 https://www.diw.de/documents/publikationen/73/diw_01.c.593658.de/dwr-18-27.pdf p.10

26 <https://biznesalert.com/nord-stream-2-without-eugal-will-pipe-nowhere/>

4. Nord Stream 2 Is a Security Threat

It will reshape the security architecture of Europe making it more vulnerable.

Apart from the negative economic effects, disruption of the existing infrastructure in Europe is likely to bring about negative security implications for the EU. Nord Stream 2 will create throughput congestion in existing pipelines from Germany to Central and Eastern Europe and significantly increases the risk that the project could be used to separate markets and exercise market power in Central and Eastern Europe, Southeastern Europe, and even Italy. There are estimates that an additional pipeline capacity of up to 100 billion cubic meters per year would need to be built from Germany in an eastward direction if Russia kills or marginalizes Ukrainian transit.²⁷

Who will pay for it? Gazprom will be happy to

come in with its money, offering murky bilateral deals to affected countries if they want to receive adequate gas supply.

Nord Stream 2 supporters argue that the new pipeline will not affect existing export routes and will only bring diversification of supply. What is astonishing in that thinking is that it ignores that Putin's regime has been obsessed with by-passing Ukraine at any cost for years.²⁸

Should Nord Stream 2 be built, lacking any need for the Ukrainian gas transit system, Russia will lose an important incentive to avoid further escalation of its military aggression against Ukraine and its hybrid war with Europe and the United States.²⁹



A coalition of pro-democracy Russians urges the West to take the Kremlin's plan, to not just by-pass Ukraine but to kill the transit route through that country, with the most serious consideration.

The plan foresees the liquidation of over 95% of

the total pipeline capacity at the Russian-Ukrainian border. Current capacity exceeds 240 billion cubic meters a year (bcma), and Gazprom plans to reduce it to 10-15 bcma. This plan provides for the decommissioning of almost 4,300 kilometers of single-string trunklines

²⁷ http://bruegel.org/wp-content/uploads/2017/02/zachmann_nordstream2.pdf

²⁸ https://www.atlanticcouncil.org/wp-content/uploads/2017/05/The_Kremlin_Gas_Games_in_Europe_0602_RW.pdf p.5

²⁹ <https://www.atlanticcouncil.org/blogs/ukrainealert/why-the-seven-arguments-used-to-justify-nordstream-ii-are-just-plain-wrong>

and 62 compressors in the transit corridor towards Ukraine.³⁰ The plan confirms that Nord Stream 2 is not about diversification and security of supply but about the elimination of Ukrainian transit.

Finally, Nord Stream 2 is a bad plan in terms of security simply because it is an offshore pipeline with a huge concentration of physical gas volumes in one place. By concentrating nearly 110 billion cubic meters or around 60% of Russian gas supplies to the EU, the Nord Stream 1 and Nord Stream 2 pipelines will become infrastructure of strategic importance. In the past Russia has used pretexts of accidents to default on its contractual obligations for political and economic reasons (as was the case with the unexplained explosion of the Turkmen pipeline to Russia in 2009).³¹

For plausible deniability Russia could, for example, use the WW2 mines abundant on the Baltic seabed as a pretext. In 2009, when allegedly caught transporting anti-ballistic equipment to Iran via the Baltic Sea, Russia, for example, absurdly claimed that its ship was hijacked by pirates near Sweden.³²

Finally, the recent drone attack on Saudi oil processing facilities should be a lesson about a growing risk of terrorist attacks on oil and gas pipelines. A remotely operated underwater vehicle can easily place an explosive device on Nord Stream pipelines that are laying on the sea floor. Replacing a section of Nord Stream 1 and 2 can take several months as opposed to days with the existing onshore pipelines via Ukraine.

5. Nord Stream 2 Is a Corruption Pipeline

It will bring more of Russian corruption into Europe.

An antitrust investigation against Gazprom that started in eight EU countries in 2011 is vivid evidence of its use as a political and corruption tool within Europe. The European Commission filed charges in 2015 and denounced Gazprom with the illegal partitioning of EU markets, denying third-party access to gas pipelines, and unlawful pricing, all of which aimed at strangling

politically and economically Central and Eastern European countries. In 2018 Gazprom managed to make a deal with the EU on the outcome of the investigation without hefty fines, promising a reformed approach.³³ However, this does not negate past corrupt behavior, plus many EU members saw the deal as too lenient on Gazprom.



30 <https://www.gazprom.com/press/news/miller-journal/2016/277026/>

31 <http://news.bbc.co.uk/2/hi/asia-pacific/7993625.stm>

32 <https://www.theguardian.com/world/2009/sep/24/arctic-sea-russia-pirates>

33 <https://www.reuters.com/article/us-eu-gazprom-antitrust/eu-ends-antitrust-case-against-gazprom-without-fines-idUSKCN11P1V>

Corruption stories surrounding Nord Stream 1 and 2, Gazprom, and Putin's inner circle prove that the more money the Kremlin gets, the bigger the reduction of democracy in Russia. The Dutch public should be informed that both Nord Stream 1 and 2 were implemented at a direct loss to the Russian budget, taxpayers and the environment, and the damage will be growing wider over time.

With regards to the pipeline, Putin insiders Arkady and Boris Rotenberg have been the main beneficiaries of Nord Stream 1 in Russia. Between 2003 and 2006 their firms acted as artificial intermediaries in the sale of

the trunk pipeline from the Chelyabinsk pipeline plant to Gazprom. In 2007 they opened the Nord Stream Pipeline Project company, which became the main intermediary for the re-sale of pipelines for Nord Stream 1, bringing around \$1bn of profit between 2008 and 2012. Eventually Russia's Anti-Monopoly Agency acted against this scheme but only after the construction and money transfer for Nord Stream 1 was finished.³⁴ Gennady Timchenko and the Rotenberg brothers continue to benefit heavily from Gazprom's murky schemes in the production and transportation of gas, including for Nord Stream 1 and 2.



And the Winners Are...

- Messrs. Rotenberg and Timchenko – the main contractors of Gazprom.
 - Pipeline construction cost per 1 km in the plains of Southern Russia is three times higher than the cost of similar Czech and German projects.

Thank you



Source: Kremlin.ru

Looking forward to spend over €31 Bn

6-Mar-2018
Mikhail Korchemkin
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Between 2008-2016 top Russian officials, including the head of the Moscow Nord Stream 1 office and mafia bosses, bought and controlled Nordic Yards, a shipbuilding dock in the electoral district of Angela Merkel in East Pomerania, where they ran their money-laundering and other corruption schemes.³⁵ One of the shadow co-owners, Aslan Gagiyeu, is being tried in Moscow for over 60 murders, including related to the Yards, while the other mafia boss, Gennadiy Petrov, is a top fugitive from Spanish courts residing in total safety in his own luxury palace in St. Petersburg.

Alexey Miller has been implicated in various corruption stories long before he became CEO of Gazprom, including in the corrupt port of St. Petersburg in

late 1990s. In 2001 and soon after becoming CEO, Miller carried out his first major aggressive corporate raiding campaign when Gazprom, at the instigation of Putin, gained control over the privately-owned petrochemical company Sibur. In the following years, Gazprom, using similar "administrative leverage" (i.e. the backing of Putin's security services, law enforcement and courts), gained control over many gas industry assets: Vostokgazprom, Zapsibgazprom, Nortgaz, and many others, often at prices much lower than the market price. Since 2005 the minority shareholders of Yukos have filed multiple lawsuits against Miller and Gazprom for illegally nationalizing parts of the company. In recent years, the Court of Arbitration of The Hague

34 <https://www.4freerussia.org/wp-content/uploads/2017/10/Corruption-Pipeline-web.pdf> p.7

35 <https://www.4freerussia.org/wp-content/uploads/sites/3/2019/06/MisruleOfLaw-Web.pdf> pp.23-27

satisfied some of these claims, and as a result Gazprom announced the threat of seizure of its assets.

There have been numerous cases where Miller allowed Gazprom to buy and sell assets at a great financial loss to the company, including Gazprom neftekhim Salavat (GNS), Transinvestgaz, Sibneft, and many others. The most notorious story of enriching Putin's insiders with such price manipulation and controversial loans has been the gradual transfer of a stake of over 20% in Sibur to Putin's son-in-law, Kirill Shamalov, through another Putin crony, Gennady Timchenko. Shamalov, his father, and Timchenko have been Putin's closest associates, and they have received numerous lucrative assets and contracts from Gazprom and other state companies in Russia and are beneficiaries of some of the projects surrounding the expansion of the Russian gas system for NS1 and 2.

If one looks at Gazprom's Board of Directors or Management, it requires considerable effort to find a single top manager not implicated in any major corruption scandal:

- **Andrey Akimov, Board member:** in 2003 through his control of Gazprombank he created the Centrex group of companies, which engaged in controversial gas sales in Europe. In 2005 the European Commission noted that managers of Centrex had inappropriate close business relations with the Gazprom management.³⁶ After the Panama Papers were leaked, Swiss authorities banned Gazprombank from attracting new clients for its money-laundering operations, including with Putin's friend and cello player Sergey Roldugin.³⁷ In Cyprus, Akimov managed to extract 2 million euros from Laiki bank just 9 days before the authorities froze the bankrupt bank.³⁸
- **Denis Manturov, Board Member:** one of the conspicuously wealthy Russian ministers was observed practicing insider contracts during his

previous role as director of a helicopter plant.³⁹ He has also been described as a protégé of Putin's friend Sergey Chemezov, CEO of Rostec Corporation, and involved in many controversial businesses in the defense sector.

- **Dmitry Patrushev, Board Member:** Son of Putin's close KGB associate Nikolay Patrushev, Dmitry was appointed to manage Rosselkhozbank, a key state agricultural bank. Under his leadership the bank lost several billion dollars, including in deals with partners of his father,⁴⁰ but the bank was compensated at the expense of the Russian budget.⁴¹
- **Mikhail Putin, Management Committee Member:** Vladimir Putin's cousin came to Gazprom through nepotism. For many years he was a key figure in SOGAZ, an insurance company run by Putin's confidants which has benefited from multiple insider deals.⁴²
- **Kirill Seleznev, former Management Committee Member:** Seleznev worked for Miller in St. Petersburg's port where a lot of corruption scandals took place. He oversaw insider deals on condensate trade between Kazakhstan and Gazprom that benefited unnecessary intermediaries with \$4 billion.⁴³ He was also seen as the main insider in corrupt ransactions around Gazenergoprombank.⁴⁴ This year Seleznev stepped down from Gazprom soon after the arrests of his advisor Raul Arashukov and his son, corrupt senator, Rauf Arashukov who were accused of being involved in the murky gas trade in the Russian Caucasus. Seleznev is now CEO of a company building a Baltic LNG terminal, in partnership with Gazprom, oriented towards Europe

36 <https://www.forbes.ru/forbes/issue/2015-04/283037-bankir-pod-prikrytiem>

37 <https://www.finma.ch/en/news/2018/02/20180201-mm-gazprombank-schweiz/>; <https://krug.novayagazeta.ru/12-zoloto-partituri>

38 <https://www.gazeta.ru/business/2013/04/03/5242401.shtml>

39 <http://rosvesty.ru/2088/upravlenie/8272-komu-prinadlejat-oboronitelnye-sistemy-denisu-manturovu/>

40 <https://www.novayagazeta.ru/articles/2018/05/18/76515-patrusheva-otpravili-na-kartoshku>

41 <https://sobesednik.ru/politika/20180213-molodoj-da-blatnoj-ili-novyj-dvoryanin-dmitrij-patrushev>

42 <https://www.bbc.com/russian/features-49019951>

43 <https://www.novayagazeta.ru/articles/2016/03/02/67629-kondensat-milliardov>

44 <https://www.novayagazeta.ru/articles/2016/02/28/67588-171-gazprom-187-sbyvaet-mechty>

There are many other corruption stories that international and Russian media and activists have uncovered, including the late Boris Nemtsov and current opposition leaders Alexey Navalny and Vladimir Milov. However, what matters most in relation to Nord Stream 2 is the deliberate unwillingness of Western policymakers and corporations to notice the corruption that accompanied the construction of Nord Stream 1 and is now clearly linked to Nord Stream 2.

In May 2018 analysts from Sberbank CIB, Alex Fak and Anna Kotelnikova, published research on the Russian oil and gas industry. The head of Sberbank, German Gref, fired Fak for the research and made apologies to Gennady Timchenko and Arkady Rotenberg – Putin`s cronies who were named as beneficiaries of the Gazprom pipeline construction strategy in the report.⁴⁵

The main points from the Sberbank CIB research are the following:

1. Gazprom`s investment program can best be understood as a way to employ the company`s entrenched contractors at the expense of shareholders. The three major projects that will eat up half of the capex in the next five years – Power of Siberia, Nord Stream2 and Turkish Stream – are deeply value-destructive. (page 3)
2. It is commonly believed that the Russian government has been forcing Gazprom to construct the major Ukraine bypass routes, Turkish Stream and Nord Stream-2. Because they reach no new markets, these routes entail no marginal revenue whatsoever. Whatever benefit they derive comes from savings on transit costs, but their main rationale is a geopolitical one – to bypass the existing Ukrainian system. (page 9)

45 <https://www.vedomosti.ru/finance/articles/2018/05/24/770650-uvolennii-analitik-cib-kritiku-grefa>

Recommendations

To the Dutch Government

- Check Nord Stream 2 project for compliance with the Paris climate agreement ratified by the Netherlands
- Commission a comprehensive research report on the supply of peak-load gas after the decommissioning of Groningen production and implementation of Nord Stream 2 according to the plans of Gazprom partners. Growing deficit of peak-load gas in Northwestern Europe is highly likely to affect the price of incremental volumes needed to cover the heating and power generation demand in winter, especially during the periods of low wind. The gas price in many long-term contracts of Gazprom is linked to the Dutch Title Transfer Facility (TTF) hub price, so

the growth of the latter would affect the average price of the whole region. Specific research on the price effects of the less publicized part of the Nord Stream 2 project (the decommissioning of over 95% of pipeline capacity at the Russian-Ukrainian border) is needed.

- Ask domestic and other Western law-enforcement agencies that are sitting on incriminating information about Putin's circle and their corrupt operations within Gazprom to act on this and to release comprehensive reports about it.
- Ask relevant government bodies to counter Gazprom's propaganda about European gas demand and import requirements, market reality, and reasonable outlooks.

To the Dutch Civil Society and NGOs

- Hold partners of Gazprom in Europe – major corporations that are slated to benefit from Nord Stream 1 and 2 – to public account of rampant corruption in the Russian gas industry, and appeal to their self-stated standards on governance and corporate social responsibility values. Make them aware that the lucrative project offered by Gazprom is at the expense of Russian taxpayers and Europe's long-term democracy and security.
- Demand from Shell, Gasunie, Van Oord to stop cooperating in the project until it complies with international conventions, as well as complies with OECD guidelines and with Free Prior and Informed Consent.
- Facilitate more public events and publications in Europe in which the voices of regular consumers and the opposition in Russia can be heard with regard to policy-making on Nord Stream 2. Right now, the balance heavily favors Gazprom's enablers and sympathizers. Encourage less superficial and more historical, fact-based, and detailed discussion of the problem. Translate and publicize for the benefit of Western audiences and

corporations the findings of investigative journalists and activists in Russia about Gazprom's corruption and the actual results of Nord Stream 1 for all involved parties.

- Insist on measures that will force think tanks and academics in favor of the project to fully disclose their potential conflicts of interest and any affiliation with Gazprom or its partners.
- Conduct independent research about the true costs including environmental, political, security and economic implications of Nord Stream 2 for the Netherlands and the EU and share their findings widely with policymakers and society to inform them about the issues. There is a lack of independent expert research and journalistic investigations about the impact of the project on the climate, on the ecosystems of the Kurgalsky reserve, the Baltic Sea and Natura 2000, and on the observance of the human rights of the indigenous peoples of Russia.
- Demand from the European Union that:
 - the Nord Stream 2 project complies with international conventions (the Convention

on Environmental Impact Assessment in a Transboundary Context and Ramsar Convention)

- Nord Stream 2 Environmental Impact Assessment documentation is re-organized and reflects on the damage and real value

of the Kurgalsky Nature Reserve

- Nord Stream 2 must initiate proper environmental monitoring or control in the course of the construction and operation on both sea and onshore segments.

Questions for the Dutch Media

- We hope that after our conference the Dutch media will be interested in conducting journalistic investigations about the impact of the Nord Stream 2 project:
 - On the global climate change
 - On the ecosystem of the Natura 2000, on the Baltic Sea and on the Kurgalsky Nature Reserve and how Russian legislation on the latter became weakened because of Nord Stream 2
 - On the human rights of indigenous people of Yamal and Finno-Ugric people. Investigate project compliance with OECD guidelines. Check the project for implementation of Free Prior and Informed Consent.
- We would like to also draw the media's attention to the so-called Capacity Optimization Plan of Gazprom. To re-iterate, the plan foresees the liquidation of over 95% (!) of the total pipeline capacity at the Russian-Ukrainian border. Current capacity exceeds 240 billion cubic meters a year (bcma), and Gazprom plans to reduce it to 10-15 bcma. The plan confirms that Nord Stream 2 is not about diversification and security of supply but about the elimination of Ukrainian transit.
- We encourage the media to question the myth

of Gazprom being a reliable partner of Europe and re-examine multiple incidents covered in the brochure. In particular, in January-March 2015, Vladimir Putin ordered Gazprom to reduce Nord Stream flow by 50%. This was Putin's reaction to the announced reverse sale of gas from the European Union to Ukraine. As reported by Russia's state news agency Interfax,⁴⁶ the failed attempt to stop the reverse gas flow to Ukraine resulted in a loss of \$5.5 billion of Gazprom's revenue and fines of \$400 million. Apparently, Putin considered the "punishment" to be more important than \$6 billion and the reputation of Nord Stream. This should be a warning for the current deliberations around Nord Stream 2 and future transit agreements between Russia and Ukraine.

- Western media has barely addressed the commercial value of Nord Stream 2 from the standpoint of the shareholders of Gazprom, including Western shareholders. The shareholders had to invest some €40 billion to divert the earlier contracted volumes of gas from Ukraine and Slovakia to Germany. There are no additional volumes and no additional profits. The planned physical liquidation of pipelines at the Russian-Ukrainian border indicates that this is a purely political project aimed at punishing Ukraine by reducing the country's transit revenue.

46 <https://www.interfax.ru/business/430933>

Rethink Nord Stream 2 campaign is brought to you by a coalition of environmentalists, economists, human rights defenders:



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Free Russia Foundation *(U.S., Russia, Ukraine, Georgia)*



Free Russia House
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