

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 French People Deserve a Frank Discussion

Pro-Kremlin lobbyists in Paris and French energy corporations friendly with Gazprom call Nord Stream 2 “a commercial deal”. However, beyond policymaking circles, French 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 monopoly at the expense of Russian taxpayers, has many environmental, political, and economic implications for France and wider Europe, which our coalition seeks to address.

Even among other fossil fuel majors like Total and Engie, Gazprom has a horrific track record on gas leaks from pipeline transit and gas flaring at production, contributing heavily to climate change. This undermines France’s green policy goals, the Paris Climate Accord and the idea that 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 detrimental to Natura 2000 sites and multiple animal life.

One of the newest bases of Gazprom to feed gas to Nord Stream 2 is located in Yamal, disrupting the indigenous people’s traditional way of life and the local ecosystem. The same fate has befallen numerous other indigenous people in Russian regions where Gazprom operates. This tragic injustice oftentimes occurs away from the purview of international human rights and environmental groups and warrants deeper examination.

Politically, French people might not realize how much this Kremlin-led pipeline would divide the EU. France’s and Germany’s important neighbors and friends - Poland, the Baltic countries, Ukraine, and others – fear not only losing their transit fees and access to gas, but also threats to security of the whole of Central and Eastern Europe (CEE). The Kremlin has often acted like a provocateur and aggressor in the Baltic Sea and will likely use Nord Stream 2 to escalate this behavior. What is more, Russia will be less restrained to re-start its 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. Kremlin has a stronghold in France through multiple corporations and affiliate organizations and Moscow’s policy is often appeased. The French government is afraid to antagonize Russia’s President Vladimir Putin, for fear of retaliation against vested interests in French corporations and because Paris has started to believe recently that it can make a genuine compromise with Moscow on security situation in Ukraine (spoiler alert – it cannot).

Russian interference and malign influence in French politics and elections, such as financial support of Marine Le Pen party or disinformation online are well covered, however, French society remains in the dark of the political risks associated with the pipeline.

Economically, Nord Stream 2 will make CEE hostage to bilateral relations with Moscow, while French and Western consumers are vulnerable to price hikes. Many more pipelines need to be constructed within Germany and towards its neighbors, because the flexibility of the Ukrainian transit supply during peak times and gas-to-gas competition will be lost. The narrow interests of Gazprom’s partners in Germany and beyond, 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. People living next to Nord Stream 1 in Putin’s home region of Leningrad continue to burn timber despite official promises of gas supply.

French citizens should be aware that with this project, their government has an opportunity to defend EU energy principles more energetically; and that support for Nord Stream 2 runs against the majority of EU states and EU parliament. France 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: What Should Worry the French Society

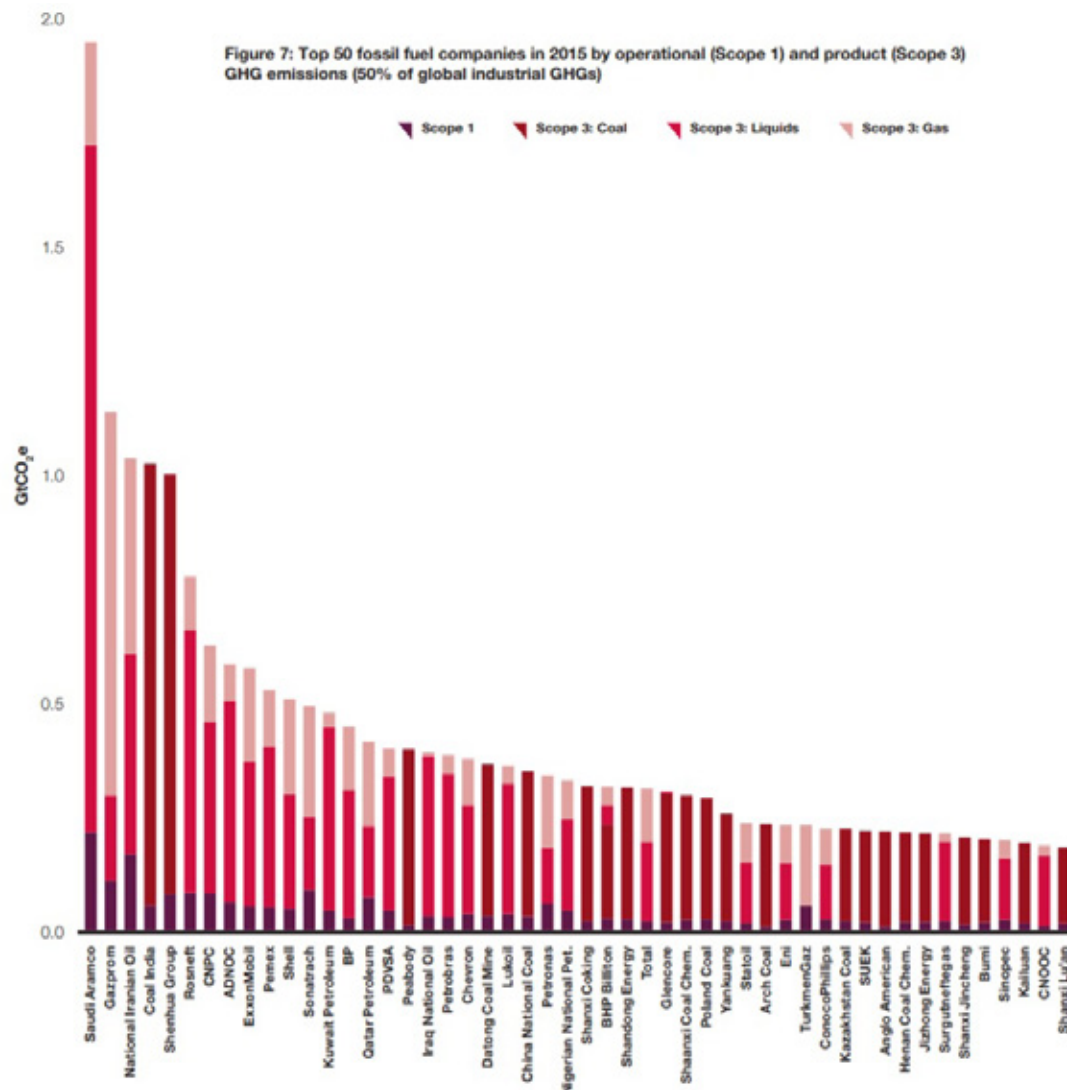
1. NORD STREAM 2 IS BAD FOR THE ENVIRONMENT

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

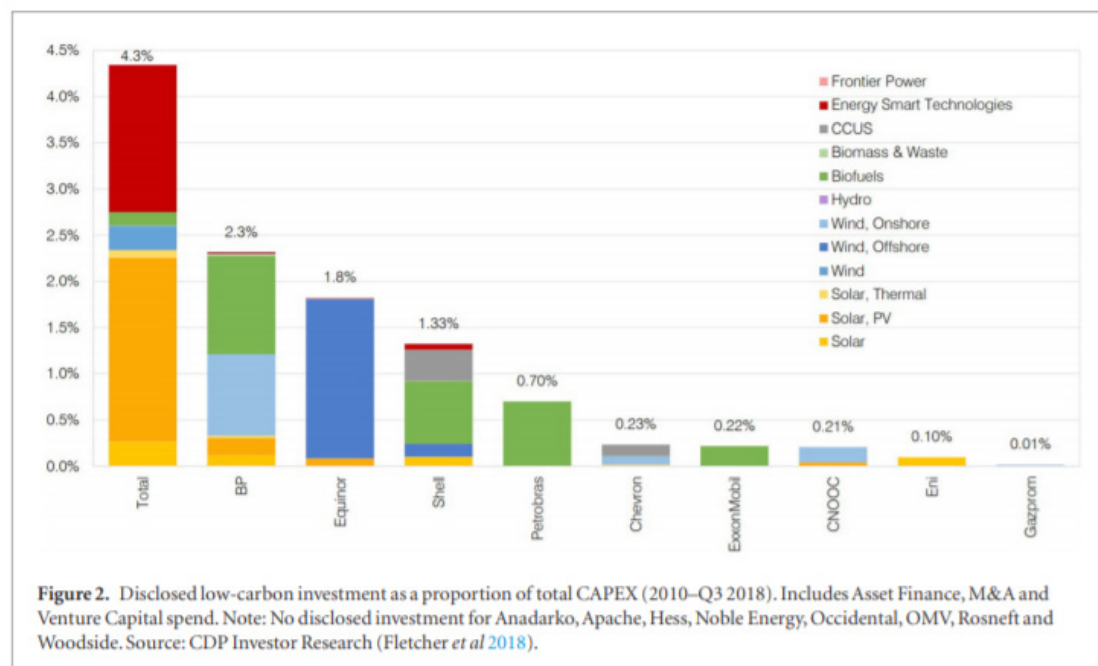
last decade.²

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.



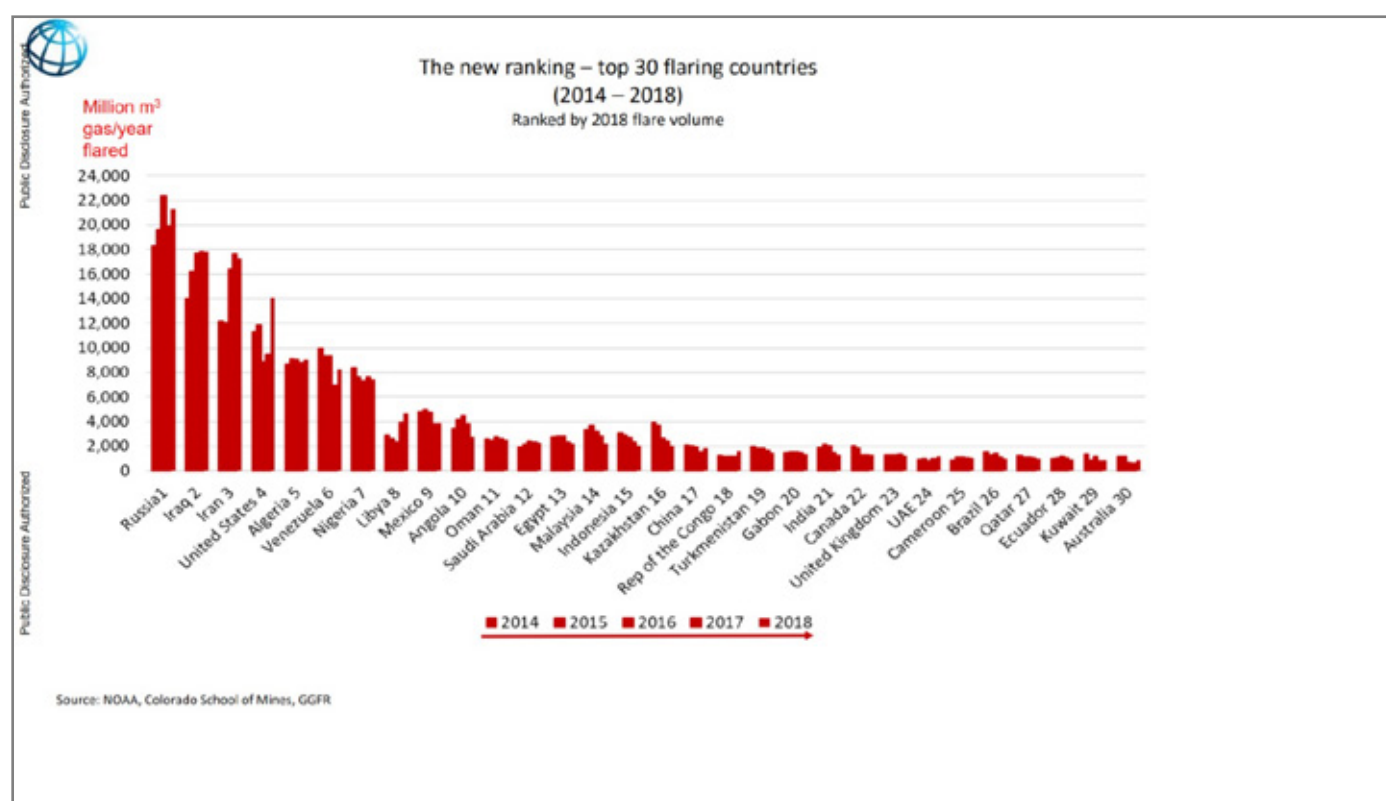
1 <https://www.ft.com/content/3c35a7d2-7d56-11e9-81d2-f785092ab560>

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



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 re-

mained a champion of wasteful and harmful flaring from oil and gas activity – much more than any other comparable country.³ And this is despite almost 20 years of futile promises from the President of Russia, Vladimir Putin, and Gazprom to tackle the problem of gas flaring.



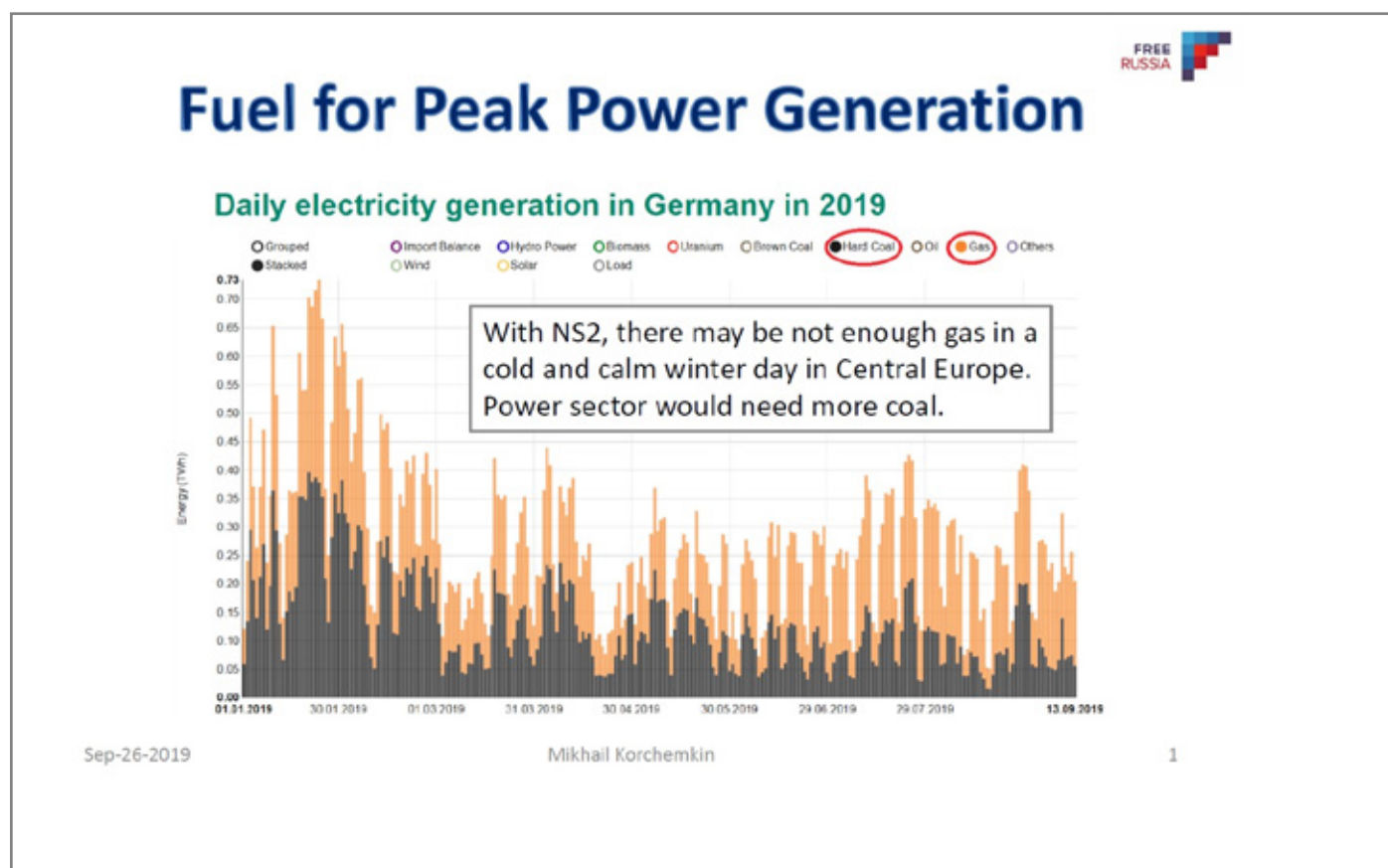
3 <http://pubdocs.worldbank.org/en/645771560185594790/pdf/New-ranking-Top-30-flaring-countries-2014-2018.pdf>

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 the Unified Gas Supply System (UGSS).⁴ 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 not just for Russia, but for all of Europe. Experts point out that if gas transit through Ukraine is closed, then there will not be 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.⁵

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 the 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).



Gas supply from Russia to Europe inevitably increases dependence on coal within Russia and among its neighbours. Currently, about 25% of Russian power generation is supported by coal. About a third of the Russian population has no access to the natural gas supply. There is little doubt that Nord Stream 2 will reinforce or even increase the role of coal within Russia. Thus,

there is no ground to speak about any positive climate impact in the global context. The Nord Stream 2 project undermines the Paris Climate Agreement, which France initiated and Germany supported.

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 Econom-

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

ic Development, Transport, and the Environment, Nord Stream 2 poses risks to the fragile eco-balance of the Baltic Sea, including Natura 2000 sites.⁶ This damage is neither justifiable, nor in the public interest.

Greenpeace and other environmental groups say construction of Nord Stream 2 has been polluting Germany's Baltic coast and toxic grease has been found on beaches and in the sea, damaging various forms of flora, fauna, and marine life in the region.⁷ As a result of the construction of the pipeline along the bottom of the Baltic Sea, 140 kg of grease leaked into the water (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 2.⁸

On the territory of Russia, the Nord Stream 2 gas pipeline passes through the high-value natural area called Kurgalsky Nature Reserve⁹ which has now become a place of environmental catastrophe because of Gazprom.

In preparation for this conference, Evgeniya Chirikova, an environmental activist from Russia, conducted 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.



Source: Activatica¹⁰

The French government, NGOs, and media should note that the Nord Stream 2 AG company's website has several statements that can safely be called false or mis-

leading.

In the section about Nord Stream 2 in Kurgalsky

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

7 <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>;

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

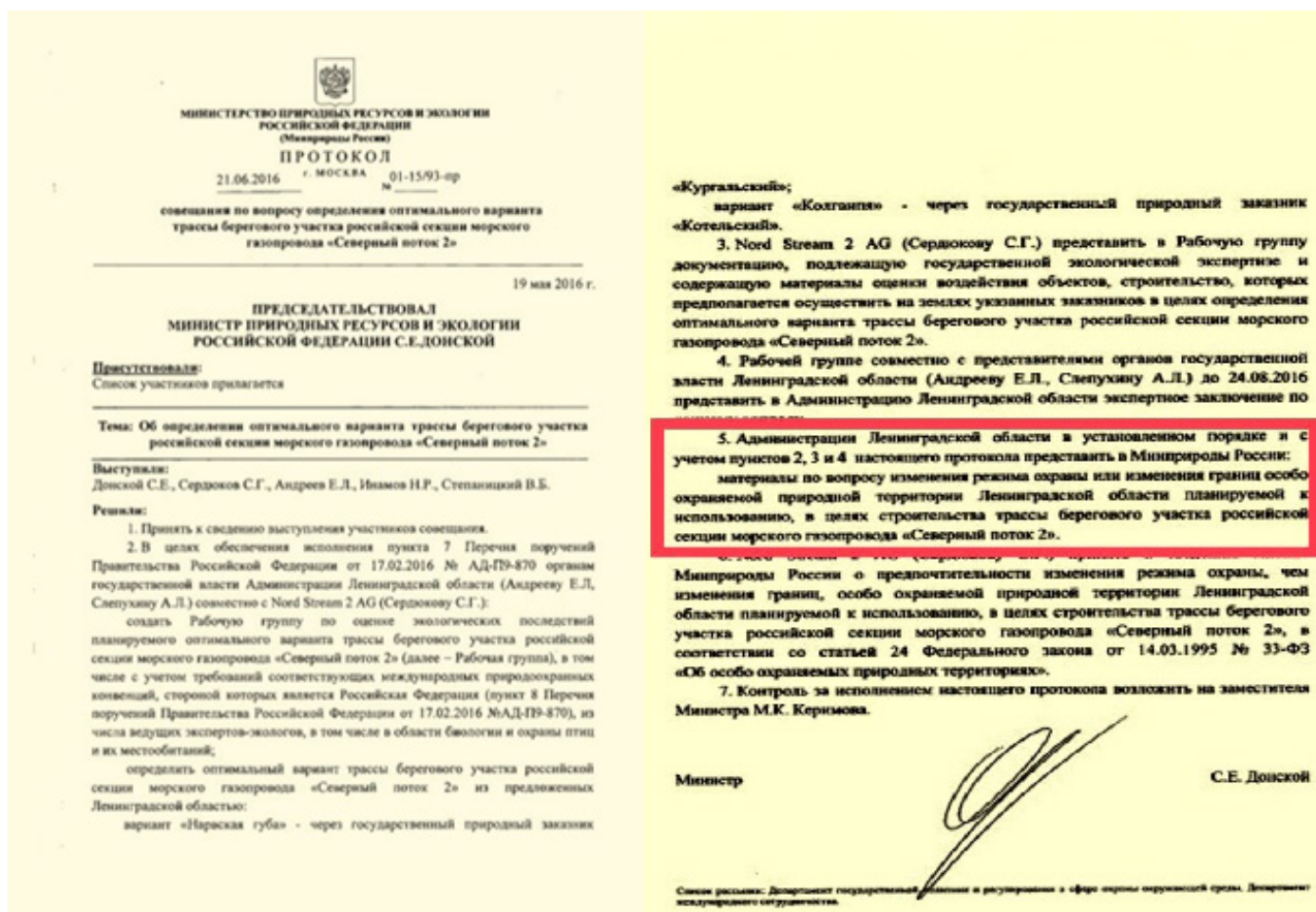
9 <https://ccb.se/savekurgalskiy>

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

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.¹¹



Source: Greenpeace Austria

A key part of the document (highlighted in the red square above) reads as:

Administration of the Leningrad region, according to the established procedures and in accordance with paragraphs 2, 3 and 4 of this protocol, has to submit to the Ministry of Natural Resources and the Environment of the Russian Federation:

– Materials on the issue of changes to the

protection status or protective borders of the specially guarded natural territory of the Leningrad region slated to be used with the purpose of construction of the coastal part of the Russian section of offshore gas pipeline Nord Stream 2.

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

¹¹ https://secured-static.greenpeace.org/austria/Global/austria/fotos/Presse/Greenpeace_Geheimakte_Nord_Stream_2.pdf

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."

Chirikova suggests that some damage is already

undeniable. As a result of implementation of the coastal part of the pipeline, the unique ecosystems of the Kurgalsky Nature Reserve - relict dunes, swamps and other - have already been destroyed. Thousands of rare plants were ruined during the laying of the pipeline and construction badly influenced animal and bird life included in the Red Book; in particular the white-tailed eagle has left its nesting area. Part of the grey seal and ringed seal populations face possible extinction as a result of implementation of the pipeline. Notably, the grey seal is protected under the Convention on Migratory Species, of which many EU countries are a signatory.



Source: *Activatica*¹²

Experts from the Botanical Institute and V. L. Komarova from 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 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

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

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-tunneling, 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. 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.



Source: *Activatica* ¹³

ECOM concluded that the project is inadmissible due to the inconsistency of documentation justifying the

¹³ <http://m.activatica.org/blogs/view/id/5494/title/v-kurgalskiy-zakaznik-vyshli-buldozery>

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.¹⁴

Furthermore, when asked to come to Kingisepp for the meeting, some of the locals did not know the purpose 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 18 villages of Kingiseppsky district in the Leningrad region addressed the President of Russia. In their public letter they asked to stop construction of the Nord Stream 2 pipeline and spare the Kurgalsky reserve.

Many member states in the EU sponsor 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.¹⁵ People in France 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 line with the Organization for Economic Co-operation and Development (OECD) guidelines and the United Nations Guiding Principles on Business and Human Rights (UNGP's) chain responsibility, social and environmental impacts of Nord Stream 2 on the indigenous people in Yamal should be studied but are not.

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 lost lands for livestock grazing, which violates their traditional nomadic way of life. They have had to relocate or leave the Yamal Peninsula because of this and also for fear of being forced to live in permanent settlements.¹⁶ 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.

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

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

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

2. NORD STREAM 2 WILL SPLINTER THE EU

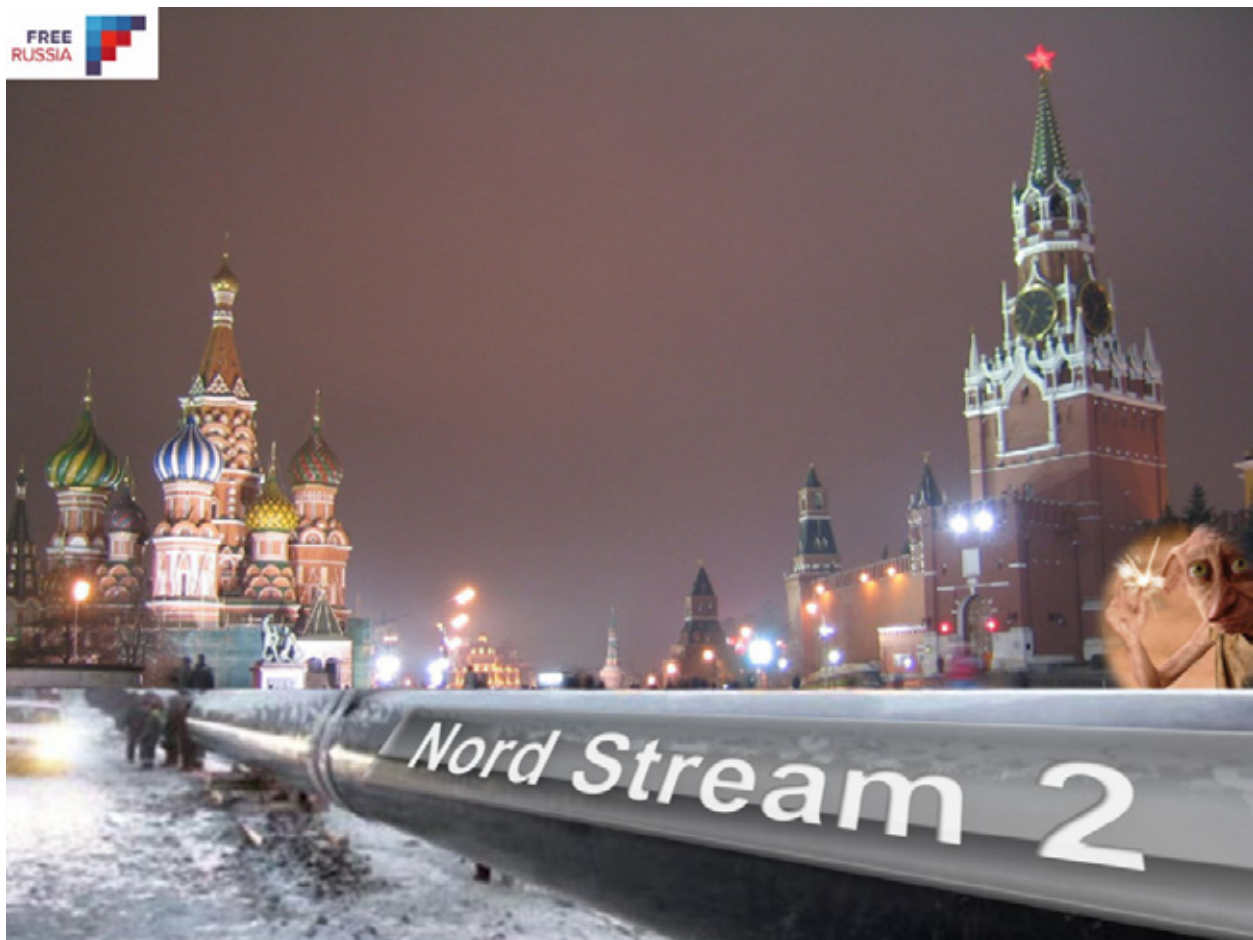
Many EU members oppose it. It will worsen many members' vulnerability to Russian political pressure and blackmail.

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.¹⁷

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.¹⁸ 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 2004.¹⁹

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

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

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

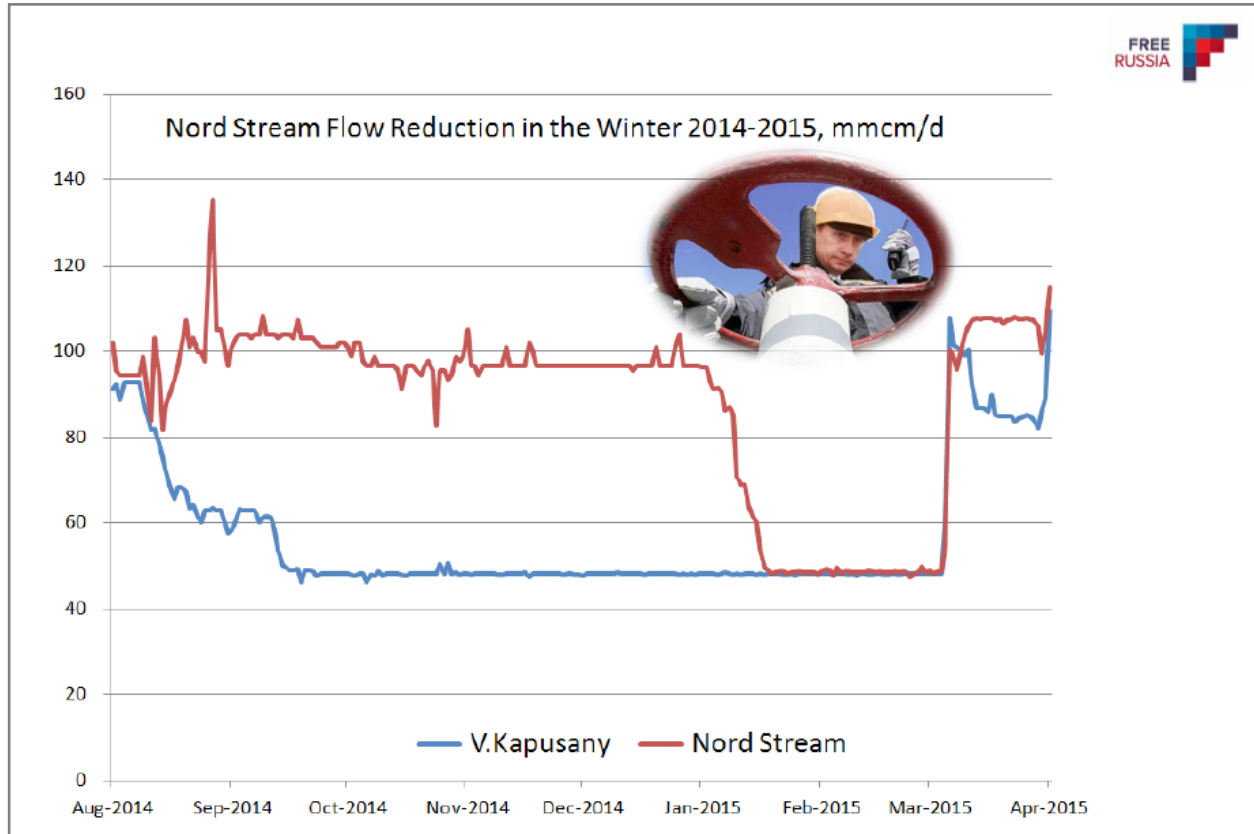
19 <https://ntrl.ntis.gov/NTRL/dashboard/searchResults/titleDetail/PB2007106453.xhtml>

the Kremlin; it was not Ukraine that turned them off.

More recently, from autumn 2014 to spring 2015, Putin ordered Gazprom to unilaterally reduce daily supplies to the home countries (Poland, Slovakia, Austria, and Hungary) 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 allegedly “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 February 2016, Gazprom unilaterally reduced gas flow to Turkey over a price dispute. Once again, gas tap was used instead of arbitration.²⁰



In 2015, Russian naval vessels chased and disrupted ships in Lithuania’s EEZ 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 the French and Western consumers.

One of the most widespread myths that Gazprom and its partners are spreading in Germany, the Netherlands, France and broader Europe is that because of the closure of the Groningen gas field by 2030, Nord

Stream 2 is a must for the EU. “Europe closes down its own productions and needs new Russian gas.” This is not true and is misleading, as Nord Stream 2 does not bring new gas, it simply diverts old volumes from

²⁰ <https://www.aa.com.tr/en/economy/gazprom-reduces-gas-flow-to-turkey-over-price-dispute/527237>

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

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 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],

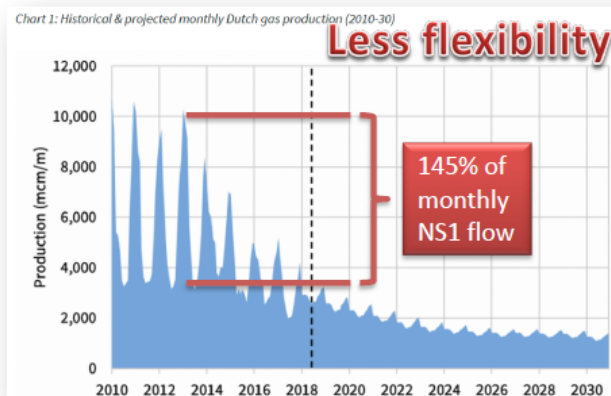
a large, expensive pipeline from Russia with a planned annual capacity of 55 billion cubic meters is not necessary.”²³ In fact, recent gas market developments suggest that the Netherlands face a problem with peak time capacity which Nord Stream 2 is unlikely to solve even under a best-case scenario, unless the country invests in a much bigger storage capacity.

Mikhail Korchemkin from East European Gas Analysis explains that the German gas market is facing a growing deficit of peak gas caused by the phasing out of the Groningen gas field in Holland. On top of that, flexibility of supplies of Norwegian gas to Continental Europe is reduced by the closure of the biggest gas storage facility in the UK²⁴. Here how these factors are connected.

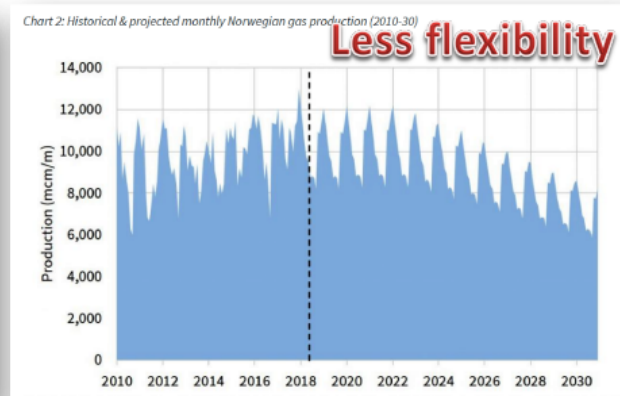
Replacement for Groningen Needed



Monthly Dutch gas production, mmcm



Monthly Norwegian gas production, mmcm



- Norwegian seasonal flexibility has played a key role in ‘backfilling’ the loss of Rough storage in the UK. That has reduced seasonal profile of flows to the Continent. – [Timera Energy](#), “European production flex is declining fast”.
- Europe needs flexible Ukrainian route of gas supply or huge new gas storage facilities.

Oct-10-2019

Mikhail Korchemkin

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Historically, the 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 compen-

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

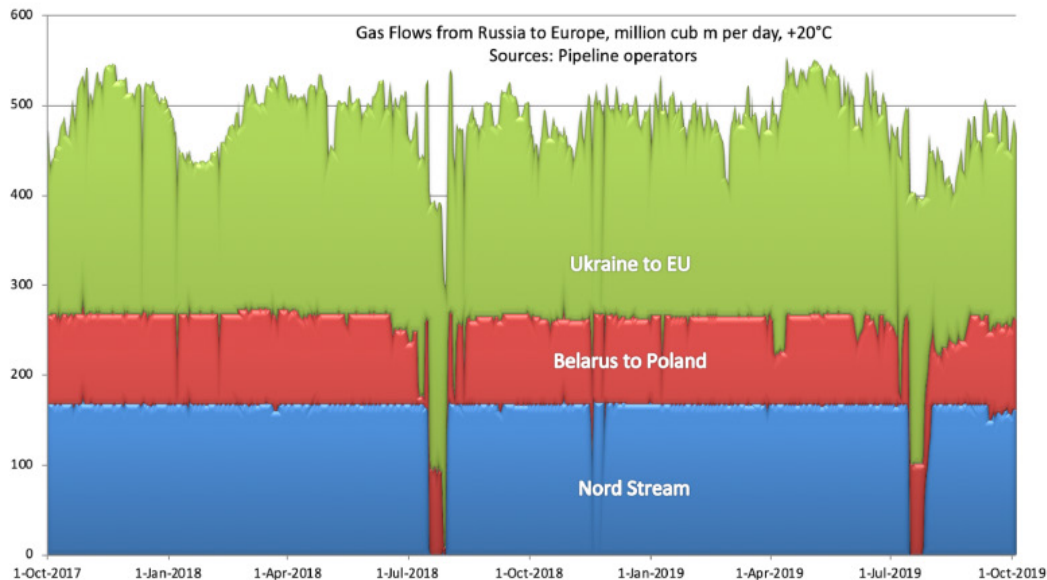
²⁴ <https://timera-energy.com/european-production-flex-is-declining-fast/>

sated for the loss of the storage facility but left less gas available for the Netherlands and Continental Europe.

Meanwhile, despite these problems in Western Europe, the existing route through Ukraine provides ample flexibility to satisfy almost any demand in Central and

Eastern Europe and further demand in Western Europe. Within a few weeks, the main pipeline corridor that runs from Ukraine to Slovakia and Austria can increase or reduce daily flow by over 100 mmcm – about 60% of the Nord Stream 2 capacity.

Nord Stream Offers No Flexibility



Gazprom plans to replace flexible exports by steady daily flows regardless of the demand.

Oct-10-2019

Mikhail Korchemkin

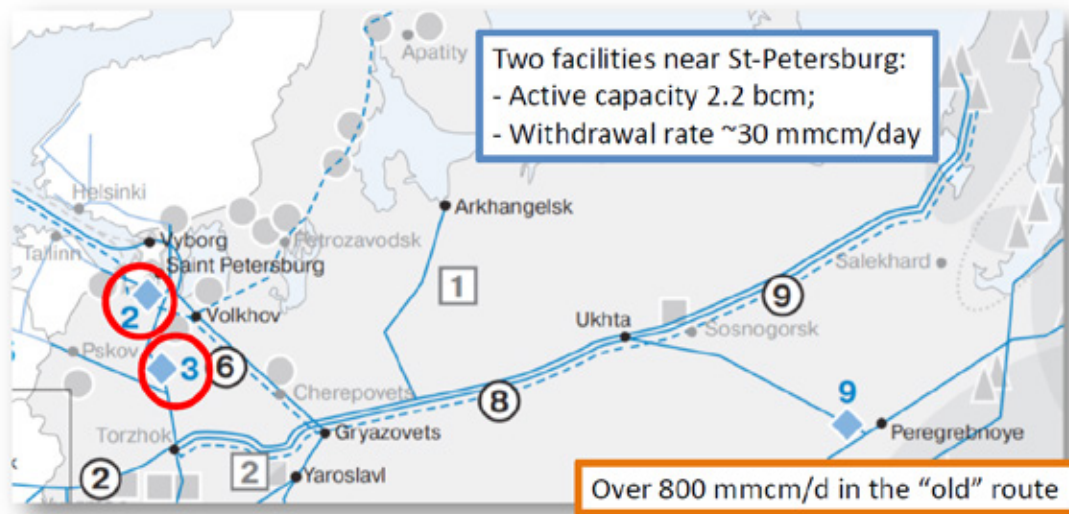
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Unlike the Ukrainian route, Russia's Nord Stream 1 and 2 are incapable of providing sufficient flexibility of supply to Germany, the Netherlands, France and their neighbors, as these pipelines are designed to ship equal daily volumes throughout the year regardless of the seasonal change in demand. Instead, these pipeline projects create additional demand for peak gas in Germany

that used to be covered by Dutch gas from Groningen.

Unfortunately, Nord Stream 2 is going to increase the deficit of peak-load gas not only because it does not have spare pipeline capacity (like the Ukrainian route) but it also lacks storage capacity. One can see that throughout the route from the Yamal peninsula to the Gulf of Finland and Germany.

NS2 – Limited Access to Storage Facilities



Source: [Gazprom in Figures 2014-2018](#)

Sep-26-2019

Mikhail Korchemkin

1

There are two underground gas storage facilities (UGSF) near St. Petersburg with the combined daily withdrawal rate of 30 million cubic meters (mmcm) supplying customers in the city. For the sake of comparison, the “old” route from West Siberia through Ukraine to Europe has huge spare pipeline capacity and access to UGSFs with the combined withdrawal rate of over 800 mmcm per day²⁵. It means Nord Stream 2 will be unable to provide any flexibility of supplies.

Gazprom suggests compensating the loss of flexibility with exports of LNG from the proposed Baltic LNG plant²⁶. Germany alone would need additional daily volumes exceeding the capacity of Nord Stream 2 and new pipelines to deliver part of these volumes to the southern part of the country. The plan of Gazprom is unrealistic.

A lack of flexibility from Groningen and from the Ukrainian transit system creates multiple economic problems for Eastern and Central Europe. Even though global LNG will be able to cover a part of the missing supply of Dutch peak-load gas in the countries having regasification terminals, the remaining part will still need

to be covered by coal-fired power plants. There is no infrastructure to deliver peak gas to Central Europe and with the dismantling of supplies through Ukraine, this part of the continent would also need to use more coal.

According to GIE²⁷, by the end of 2018 existing gas storage capacity in Europe was 4% lower than in 2016. Because of this factor and the rapidly decreasing supply of peak gas supply, all European gas companies would need to invest heavily in the expansion of underground storage facilities and inject much more gas for the winter withdrawal. All additional costs will be reflected in the end-use prices paid by European consumers.

Shortage of peak gas is likely to drive up the spot price of gas at the Title Transfer Facility (TTF) in the Netherlands. The TTF price is used for indexation of prices of many long-term gas contracts, so the average price of gas is likely to grow. By killing gas-to-gas competition in the short term, Nord Stream 2 also increases the gas price in the long-term because of the absence of flexibility in the system.

Europeans should consider the long-term effect on their markets from Gazprom’s politically driven and

25 <https://www.gazprom.com/f/posts/67/776998/gazprom-in-figures-2014-2018-en.pdf>

26 <https://1prime.ru/energy/20170113/827034305.html>

27 <https://www.gie.eu/index.php/gie-media/press-releases/13-news/gie/379-press-release-existing-gas-storage-capacity-in-europe-exceeded-one-petawatthour-in-2018-shrunked-against-2016>

commercially irrational policy to generously subsidize bypassing of the Ukrainian transit system at the expense of its own shareholders and Russian taxpayers.

Gazprom keeps the transmission costs low by delayed commissioning of pipeline assets. According to the latest financial report,²⁸ about a third of all assets of Gazprom are assets under construction. In the era of megaproject's construction from 2006 to now, the value of these assets has increased twelvefold. Eventually, the depreciation of an additional €75 billion will raise the transportation cost of Gazprom driving the company's profits to the red.

According to Gazprom, the total investment cost of Nord Stream 2 with the feeding lines from the Yamal peninsula to the Gulf of Finland exceeds €40 billion. A letter²⁹ from Nord Stream 2 AG to the European Commission hints that this sum is invested to reduce the price of gas in the EU by up to 13%. Apparently, the price reduction is to affect the revenue of Gazprom, so the motives of the shareholders of Gazprom investing billions to reduce the revenue are irrational (unless explained by the Kremlin's political goals where costs do not matter and costly deals of the monopoly favours insiders). Obviously, there will be no additional gas sold to the EU because Gazprom is liquidating nearly all transit through Ukraine. Gazprom calculated the benefits³⁰ of diverting the export flow from Ukraine to Nord Stream 2 at €1 billion a year, which is likely to be beaten by the reduction of the revenue. Total sales by Nord Stream 1 and Nord Stream 2 exceed €20 billion a year. Europeans should think about the motives of investing €40 billion to save €1 billion a year of operating costs and promising to reduce the revenue by substantially more than €1 billion a year. In fact, there is no guarantee that the Kremlin is at all interested in any rational economic thinking as far as transit via Ukraine is concerned.

The evidence to support this is the announced closure of Gazprom pipelines at the Russian-Ukrainian border right after Nord Stream 2 launches (see more on security implications of this plan below). 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),³¹ 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 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 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 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 just expanding these two pipelines is estimated between €0.5 billion³² to €3 billion.³³

28 <https://www.gazprom.com/f/posts/72/802627/gazprom-ifrs-2q2019-en.pdf>

29 https://trade.ec.europa.eu/doclib/docs/2019/july/tradoc_158069.pd_Redacted.pdf

30 <https://www.gazprom.ru/f/posts/41/295497/investor-day-2018-en.pdf>

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

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

33 <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 to Russian aggression.

Apart from the negative economic effects, disruption to 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 will significantly increase 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.³⁴

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 bypassing Ukraine at any cost for years.³⁵



Should Nord Stream 2 be built, lacking any need for the Ukrainian gas transit system,³⁶ Russia will lose

an important incentive to avoid further escalation of its military aggression against Ukraine and its hybrid war

³⁴ http://bruegel.org/wp-content/uploads/2017/02/zachmann_nordstream2.pdf

³⁵ https://www.atlanticcouncil.org/wp-content/uploads/2017/05/The_Kremlin_Gas_Games_in_Europe_0602_RW.pdf p.5

³⁶ <http://bulgariaanalytica.org/en/2019/07/21/war-and-gas/>

with Europe and the United States.³⁷

French and European politicians and the general public are unaware of the second stage of the Nord Stream 2 project envisaged by Gazprom at the order from the Kremlin. A coalition of pro-democracy Russians urges the West to take the Kremlin's plan, to not just bypass Ukraine but to kill the transit route through that country, with the most serious consideration.

The plan is to be implemented right after Nord Stream 2 is functioning, it foresees the dismantling of over 95% of the total pipeline capacity at the Russian-Ukrainian border. Current capacity exceeds 240 billion cubic meters a year (bcma) at the Russian-Ukrainian border and around 146 bcma³⁸ at the Ukrainian-EU border, and Gazprom plans to reduce all that capacity to merely 10-15 bcma. This plan provides for the decommissioning of almost 4,300 kilometers of single-string trunk lines and 62 compressors in the transit corridor towards Ukraine.³⁹ The plan confirms that Nord Stream 2 is not about diversification and security of supply but about the elimination of Ukrainian transit.

French society, media, and decision-makers miss this very important result of Nord Stream 2. Just to reiterate: the project adds 55 bcma of new gas export capacity of Gazprom but destroys over 130 bcma of existing capacity. It results in a permanent reduction of gas export capacity at the EU border with Ukraine from the current 146 bcma to 10-15 bcma.

While adding two new pipelines to Germany, Nord Stream 2 dramatically reduces total Russian gas export capacity to Europe.

With this plan Gazprom wants to leave Central and Northwestern Europe with no choice but to buy gas through Nord Stream 1 and 2.

Notably, Gazprom is liquidating the only route capable of responding to the fluctuations of demand from European customers. Ukrainian gas pipelines de-

liver Russian gas to Central Europe, Northern Italy and Southern Germany, providing additional gas not only in winter but also in case of low wind, when gas-fired power plants balance the shortage of energy generated by wind turbines (see more on flexibility of the existing route and constraints of Nord Stream 1 and 2 above).

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 strategically important infrastructure. 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).⁴⁰

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 absurdly claimed that its ship was hijacked by pirates near Sweden.⁴¹

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.

Security threats from Nord Stream 2 have been recently summarized by Mikhail Korchemkin in an article with Foreign Policy magazine which we highly recommend to disseminate to raise awareness:

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 capaci-

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

38 <http://naftogaz-europe.com/subcategory/en/GasTransmission>

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

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

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

ty, 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 risk⁴².

5. NORD STREAM 2 IS A CORRUPTION PIPELINE

It will bring more of Russian corruption into Europe, reshaping democratic societies and institutions.

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 for the illegal partitioning of EU markets, denying third-party access to gas pipelines, and unlawful pricing, all of which aimed at politically

and economically strangling Central and Eastern European countries. In 2018 Gazprom managed to make a deal with the EU on the outcome of the investigation without incurring hefty fines by promising a reformed approach.⁴³ However, this does not negate past corrupt behavior, plus many EU members saw the deal as too lenient on Gazprom.



Corruption stories surrounding Nord Stream 1 and 2, Gazprom, and Putin's inner circle prove that the more

money the Kremlin gets, the greater the reduction of democracy in Russia. The French public should be informed

⁴² <https://foreignpolicy.com/2019/10/07/gazproms-nord-stream-2-will-help-putin-cut-off-natural-gas-supplies-to-europe/>

⁴³ <https://www.reuters.com/article/us-eu-gazprom-antitrust/eu-ends-antitrust-case-against-gazprom-without-fines-idUSKCN1IP1IV>

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.⁴⁴ 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.⁴⁵ 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 incident involving the 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 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 al-

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

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

lowed 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 Nord Stream 1 and 2.

If one looks at Gazprom's Board of Directors or Management, it requires considerable effort to find a single top manager who is 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.⁴⁶ 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.⁴⁷ In Cyprus, Akimov managed to extract 2 million euros from Laiki bank just 9 days before the authorities froze the bankrupt bank.⁴⁸
- **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.⁴⁹ 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,⁵⁰ but the bank was compensated at the expense of the Russian budget.⁵¹
- **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.⁵²
- **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.⁵³ He was also seen as the main insider in corrupt transactions around Gazenergoprombank.⁵⁴ 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.

There are many other corruption stories that international and Russian media and activists have uncovered, including the late Boris Nemtsov and current op-

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

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

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

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

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

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

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

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

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

position 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.

Instead there are many highly vocal promoters of views favorable to Gazprom and Nord Stream 2 who receive financial contributions from these corporation and their affiliates. These include Oxford Institute of Energy Studies and disgraced Dr. Friedbert Pfluger.⁵⁵

The Oxford Institute of Energy Studies (OIES), whose Natural Gas Research Programme is co-sponsored by Gazprom M&T and leading members of the Nord Stream 2 consortium, has consistently issued publications favorable to Gazprom's vision in Europe, although this is not to suggest that OIES independent analysis is driven by its funding. It just happens to be frequently supportive of Gazprom's plans or perceptions. For example, in 2014 OIES's Jonathan Stern supported South Stream as a non-political project. In January 2017 OIES published a paper supporting Gazprom's full access to the German onshore pipeline OPAL as a "belated and rules-based" decision, and dismissing all resistance to it on legal and regulatory grounds by the European Commission, Poland and other EU actors as "obstruction" supposedly driven by anti-Russian "political objectives." This analysis looks especially biased after a recent decision by the European Court to remove Gazprom's control over OPAL.

Last year Dr. Pfluger lost his affiliation with the

King's College, London, after German civil society and media exposed him as having business ties with Gazprom and acting as a de facto lobbyist.⁵⁶

All critical analysis, on the other hand, has met enormous resistance in Russia. 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.⁵⁷

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)

55 <https://www.4freerussia.org/wp-content/uploads/2017/10/Corruption-Pipeline-web.pdf> p. 15

56 <https://www.theguardian.com/education/2018/jul/26/uk-university-accused-platform-nord-stream-2-lobbyist-kings-college-london>

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

RECOMMENDATIONS

To the French Government

- Conduct a reputable and independent investigation on the long-term impact of Nord Stream 2 on climate change and check the project for compliance with the Paris climate agreement ratified by France
- Check compliance of Nord Stream 2 with the Convention on Migratory Species, which many European countries signed, and take measures to rectify all violations so that the project ceases to contradict the Convention
- Oblige Nord Stream 2, if necessary, with the help of European Union bodies, to conduct a new Environmental Impact Assessment (EIA) to reflect and incorporate all known violations and measures to rectify them. It is imperative for the French government to assess short- and long-term negative impacts of the Nord Stream 2 on the gas supply to Europe and the European Union. According to the announced plan of Gazprom, Nord Stream 2 will be at once followed by the liquidation of over 95% of pipeline capacity delivering gas to the border of Ukraine. It creates a shortage of peak gas in Southern Germany, Central Europe, and Northern Italy. Unlike the Ukrainian transit system, Nord Stream 2 is designed to ship equal daily volumes throughout the year regardless of the seasonal and short-term changes in demand. EUGAL and OPAL have no access to sources of flexible supply. At the same time, the flexible flow of Dutch gas is coming to an end with the scheduled phasing out of the

Groningen field, and flexibility of imports from Norway is affected by the closure of the biggest gas storage facility in the UK. Therefore, additional gas storage and pipeline capacity would be required to minimize the negative impact of Nord Stream 2.

- The Nord Stream 2 project would also slow down the phase out of coal because there will be not enough gas to balance the shortage of electricity in case of low wind on a winter day. A deficit of peak gas is very likely to push up the TTF price which is used as an indicator in many long-term gas contracts all over Europe. Therefore, the average price of gas imports is to grow. With the lower volumes of peak gas available at the EU border, gas traders would need to carry higher storage expenses with the fees reflected in the consumer prices. An in-depth research study should evaluate the anticipated growth of the end-user price due to the higher storage expenses.
- 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 French 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 Engie to stop participating in the project until it complies with international conventions, as well as 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 policymaking 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. Reflect on the situation when laws of the whole country – Russia - were deliberately weakened by Gazprom, the rights of the indigenous peoples of Russia and international conventions were violated, and double standards for the supply of gas to Germany were used. Organize public discussions to find out whether it is ethical to use gas at such a high social and environmental price, and whether it contradicts European values.

- Conduct independent research on the anticipated growth of the end-user price of gas caused by the Nord Stream 2 project: (a) Sharp growth of storage expense due to the reduction of deliveries of peak gas from the traditional sources – the Netherlands, North Sea, Russian gas via Ukraine; (b) Growth of spot market price of gas – TTF and other – that is affecting prices of many long-term contracts through the link to TTF.
- Insist on measures that will force think tanks and academics in favour 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 France 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. In particular, study the impact of the project on indigenous Finno-Ugric peoples and the indigenous people of Yamal. Check the Nord Stream 2 project for compliance with OECD guidelines. Check the project for implementation of Free Prior and Informed Consent.

- Demand from the French Government and 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 FRENCH MEDIA

We hope that after our conference the French media will be interested in conducting journalistic investigations about the environmental and social impact of the Nord Stream 2 project:

- On 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 also like to draw the media's attention to the so-called Capacity Optimization Plan of Gazprom. Because of the successful propaganda campaign, the general public is unaware that the launch of Nord Stream 2 entails a **dramatic reduction** of Russia's gas export capacity to Europe. To re-iterate, the plan foresees the dismantling 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 it is about the elimination of Ukrainian transit which will hit the welfare and political security of all EU customers. The expansion of Nord Stream 2 by 55 bcma of new capacity entering Europe in Greifswald, Germany, will be followed by the dismantling of over 130 bcma currently operating at the border of Ukraine and the European Union. Paradoxically, more pipeline capacity at the German border means less capacity at the border of the EU. If some politicians do not want to know the details of the so-called Capacity Optimization Plan of Gazprom,⁵⁸ German, French and other European gas customers still deserve to know, and the media should tell the public about it.

European society forgot the experience of the winter 2014-2015, when 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, 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" by tap (not through an arbitration) to be more important than nearly \$6 billion and the reputation of Nord Stream 1. The media may remind that this alleged "risk-free" pipeline without transit countries does not guarantee stability and security of supplies; Playing by the Kremlin's rules is a way more important.

We encourage the media to investigate the commercial value of Nord Stream 2 from the standpoint of the shareholders of Gazprom. The shareholders had to invest some €40 billion to divert the earlier contracted volumes of gas from Ukraine and Slovakia to Germany. On top of that, they need to pay for the decommissioning⁵⁹ of 4300 km of pipelines and over 3 GW of installed compressor capacity. There are no additional volumes to be exported and no additional profits. The planned physical dismantling 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.

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

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



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