SECTION V.
INTERNATIONAL RELATIONS


NORD STREAM 2: GEOPOLITICAL STAKES
OF THE ‘BAD DEAL’

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Gratifying Europe’s hunger for energy has never been easy. Despite efforts to increase the use of renewable energy sources, with growing anti-nuclear sentiment, dependence on fossil fuels is questioned more than ever. Natural gas is a very versatile energy source with widespread industrial and domestic uses. Almost three quarters of the natural gas consumed by the European Union is imported, and 40% of total imports come from Russia.

The Nord Stream 2 (NS2) gas project has become subject to vigorous EU-gas related debate and dissension on whether it provides an opportunity for diversification of routes and supplies to the European Union or nurtures Russian dominant position and geopolitical influence in the region. The project has also casted doubts with respect to the role of market participants in shaping and implementing the EU energy policy, as well as the impact on its internal cohesion and relations with Ukraine and Russia.

The implementation of Nord Stream 2 could enhance the role of Russian gas in the European energy balance, especially in northwestern Europe. Along with that, it may also jeopardize the credibility of the EU energy policy that points at diversification of routes and suppliers as a joint and coordinate response to the energy security challenges facing the EU Member States and the bloc per se.

Question of fact, each country in Europe is guided by personal interests. Russian Federation and Germany are the main beneficiaries and most vocal supporters of the pipeline project. Northeastern European, notably, Ukraine, Poland, Czech Republic and Slovakia, oppose this because they will lose their advantage as transit countries. Central and Southern Europe fear that the construction of the pipeline will eventually close the Ukrainian route, in which case the region will lack cheap Russian gas. Network flows show that even if Nord Stream 2 supplies much cheaper gas, the benefits will never reach Eastern Europe.
The Nord Stream 2 project may facilitate Russia’s dominant position as Europe’s largest natural gas supplier and contribute to Russia’s geopolitical influence in the region. The expansion of Nord Stream could reinforce Russian-German gas partnership leading to a greater share of Russian gas in the German market. Despite the current decline in gas consumption, the current energy transformation, on the one hand, and the decline in domestic gas production in the EU, on the other, may result in a return to ‘gas as a transitional fuel’ policy with increased demand for gas imports to Germany. In addition, it may contribute to the greater importance of the German gas market in the EU meaning that the increased gas trade at German hubs as well as gas transit through Germany to other parts of the EU, including the Austrian CEGH hub, and the development of German gas infrastructure required to connect the project to the German and EU gas networks. Increased Russian gas imports in conjunction with Gazprom’s larger investments in German shares in pipeline, storage facilities as well as partnership with Russian for the opulence of German gas sector would give a rise to greater German dependence on Russian gas.

This is not the end of the story. Germany receives its natural gas via pipelines that pass through Ukraine, Poland, and the Baltic states. Indeed, the revenue to Ukraine for allowing transshipment of gas from Russia to Germany via existing overland pipelines within Ukraine’s borders constitutes over 2% of the total Ukrainian GDP. This will mostly end when Nord Stream 2 gets operational. The pipeline will bypass the current land route. This would largely exclude Ukraine, Poland and the Baltics – key United States and Western Europe allies in the region. This highlights the importance of European countries fostering open, global and interchangeable trade in natural gas with access not only to different supply routes, but also to different suppliers.