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## **Gazprom's troubles with completing Nord Stream 2**

**On 3 August, Nord Stream 2 AG, responsible for designing, developing and subsequent maintenance of Nord Stream 2 (North European Gas Pipeline, NS2), announced that one gas pipeline, located in the exclusive economic zone (EEZ) of Sweden, was completed. However, the company has not been granted the permission to continue with NS2 on Danish waters. Jeppe Kofod, the current Minister of Foreign Affairs of Denmark, has expressed his negative feelings towards the development of NS2. However, after Nord Stream 2 AG withdrew one of its proposals, his hands are tied and he has no means for blocking the project further. The Danish Energy Agency (DEA), responsible for proceeding motions and proposals, is currently evaluating responses submitted in the course of consultations with stakeholders and countries of the region. Due to the complexity of the proposal and complications associated with the construction process itself, it is highly probable that NS2 will not be completed on schedule, i.e. by the end of 2019.**

**The position of the new Danish government.** The election to the parliament in Denmark (Folketinget) took place on 5 June 2019. The center-left Social Democrats (SD) won the race. On 27 June, Mette Frederiksen, heading the party since 2015, formed a minority government supported by other left-wing parties. J. Kofod, 45 years old, took the position of the Minister of Foreign Affairs. Between 1998 and 2014, Kofod was elected to Folketinget as the representative of Bornholm district, and in the previous term (2014-2019) of the European Parliament (EP) chaired the group of Danish Social Democrats and was a Deputy Chairman of the Progressive Alliance of Socialists and Democrats. During the latest EP election (26 May 2019), he was no. 1 on the SD list and successfully pursued re-election. He succeeded in obtaining fourth best result in the election (approx. 190 thousand votes). However, ultimately, he resigned and took the position in M. Frederiksen's cabinet.

In the past, J. Kofod frequently criticized the politics of the previous Prime Minister, Lars L. Rasmussen, as well as the European Commission's (EC) attitude towards Gazprom. He voiced his criticism both during his term in the EP as well as when discussing the development of Nord Stream 1 (NS1) in 2009, during the first term of L. L. Rasmussen's cabinet. He frequently emphasized that Russia employs its energy resources to manipulate and exert pressure upon other states during international diplomatic crises. As a consequence, he postulated in the EP that EU member states become more independent from Russia's energy resources and decline to participate in the development of NS2 which will have implications for energy and security dimensions and will exert an adverse impact upon European cooperation.

**Withdrawal of the oldest proposal.** A day after the new government was sworn-in, i.e. on 28 June, Nord Stream 2 AG withdrew its first proposal submitted to the DEA on 3 April 2017. The proposal pertained to the permission for the development of two transit gas pipelines across the territorial sea and continental shelf belonging to Denmark, located south-east of Bornholm (Alternative 1). The new lines were to be parallel to NS1 completed in 2012.

In accordance with Danish regulations, in July-September 2017, the DEA held public consultations pertaining to the environmental impact of the route. The responses were not the exclusive requirement for the permission to be granted. This was due to the fact that a new law came into force in Denmark on 1 January 2018. The law states that prior to the DEA permission, any investment located on Danish territorial waters must be officially accepted by the Ministry of Foreign Affairs. The ministry assesses the project against Danish international policy and national security and defense. The law was adopted in October 2017 on the initiative of the previous PM of Denmark, L. L. Rasmussen. The law emerged as the aftermath of the Danish dissatisfaction with the EC's attitude. The Commission avoided offering straightforward answers to strong doubts and anxieties voiced by a group of

states from East-Central Europe and Denmark. These pertained to the conformity of NS2 with EU legislation, especially with regard to the energy union, whose one of the fundamental objectives is to reduce the EU's dependence upon Russian gas supply.

**Proceeding with submitted proposals.** Due to the withdrawal of the first proposal, the prospective decision of Danish authorities will become the sole responsibility of the Minister of Climate, Energy and Utilities (Dan Jørgensen), the DEA's superior. Nord Stream 2 AG has maintained two alternative proposals. The first was submitted on 10 August 2018. It pertains to the permission for developing approx. 175 km of transit gas pipeline across the continental shelf in the Danish exclusive economic zone located north-east of Bornholm (Alternative 2). Public consultations concerning this route were completed towards the end of 2018. However, the final decision has not been made since Danes prefer the south-east by-pass of Bornholm. They justify their position by arguing that an initial assessment of the south-easterly route indicated significantly lower impact on maritime routes, fishing grounds and Natura 2000 nature protection areas. Moreover, the route was also labeled as optimal during the development of NS1. However, it had to be altered due to the unregulated status of maritime territories claimed by both Denmark and Poland.

On 19 November 2018, in Brussels, Poland and Denmark signed an agreement delimiting the maritime boundary of the Baltic territories in question. Denmark was granted 80% of the territory (approx. 2.88 thousand km<sup>2</sup>). As a consequence, the international legal barrier was lifted. In March 2019, the DEA requested Alternative 3 to be developed. Nord Stream 2 AG voiced their disappointment with such state of affairs. However, they swiftly (15 April) submitted the proposal. It contains two alternative routes drawn across the continental shelf located in the Danish exclusive economic zone south-east of Bornholm.

At present, the DEA is evaluating both alternatives. In mid-July, in his interview with Interfax news agency, Viktor Zubkov, the chairman of the board of directors of Gazprom, announced he expected the final decision to be presented in October 2019. He believes that this would enable the project to be completed by the end of the year. However, a DEA spokesperson commented it would be impossible to offer a binding deadline for the Agency's work to be completed due to the complexity of the matter and lack of knowledge as to any reservations expressed by local stakeholders (including the representatives of local businesses and fishermen). In addition, in accordance with the Convention on Environmental Impact Assessment in a Transboundary Context (Espoo Convention), Denmark must hold consultations and consider opinions of other countries. The consultations are under the responsibility of the Ministry of Environment and Food of Denmark. On 8 May, the ministry delivered the documentation submitted by Nord Stream 2 AG to 8 countries (Estonia, Finland, Lithuania, Latvia, Germany, Poland, the Russian Federation, and Sweden). The countries were requested to offer their opinions on the matter with the deadline set on 17 July. However, the deadline may be extended on the motion of the parties involved. At present, the DEA is analyzing information it received.

**Progress of work and potential problems concerning NS2.** According to the latest data delivered by Nord Stream 2 AG on 3 August, the first, 510 km gas pipeline running across the Swedish exclusive economic zone, was completed. The development of the second line will resume after 1 September and ought to be completed in October. In total, over 1700 km of pipelines were completed on seas controlled by Russia, Finland, Sweden and Germany (the length of a single pipeline is estimated at 1230-1260 km depending upon its route). This amounts to approx. 70% of work. It is likely – but not certain – that, the permission for the development of the pipeline across seas controlled by Denmark to be granted in October 2019, endangers the deadline for the completion of the project (the end of 2019). According to calculations by Gazprom, a pipe-laying vessel is capable of laying approx. 3 km of pipeline a day in the Baltic Sea (obviously depending on weather conditions, sea depth, and structure of seabed). Depending upon the DEA's final decision regarding the course of the route, the Danish section of the pipeline will total between 147 and 175 km. This means that the project will take approx. 100-115 days to complete. It ought to be noted that autumn and winter usually bring heavier seas in the Baltic when compared with spring and summer period. Pipe-laying is also rendered difficult by the existing installations- the route of NS2 crosses power and communications cables (in 6 or 2 locations depending on Alternative 2 or 3) and also the twin NS1. Depending on

the selected alternative, additional works will be necessary. They will entail deepening works (after the pipeline has been completed on the seabed) extending to approx. 4 or 14.5 km (Alternative 3 or 2).

**Conclusions.** The withdrawal of the first proposal suggests that the prospective decision on the permission (or denial) will be made exclusively by the DEA's administration. The position of Danish Minister of Foreign Affairs, who opposed NS2 on several occasions, will have no sway in the assessment of proposals concerning gas pipelines running across the continental shelf and the exclusive economic zone. This simplifies the procedure. Gazprom is expecting the permission to be granted in October. However, no conclusive deadlines were offered. As a consequence, it is highly likely that NS2 will not be completed on schedule, i.e. by the end of 2019. In order to maintain the supply of gas in Europe, Gazprom will be forced to extend the transit agreement with Ukraine, which expires at the end of the year. Hitherto trilateral negotiations between Russia, Ukraine and the EC were inconclusive. Further talks are likely to be held in the second half of September. The situation is exacerbated by the conflict between the EC and Nord Stream 2 AG pertaining to the natural gas directive (2019/692). The latest development of the situation witnessed the company's motion to the European Court of Justice submitted on 25 July. The company demands the incomplete NS2 to be excluded from anti-monopoly regulations. Additional complications are possible due to the USA's Senate pending legislation concerning sanctions against enterprises or natural persons involved in the development of NS2.

*Trans. Tomasz Kuraś*