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Nord Stream 2: a climate-busting cash cow

The death of the planned gas pipeline would be blessing in disguise

The Western Europeans, led by Germany, are entirely off the mark in decrying the US Congress's passage of new sanctions against Russia. They charge that the measures, aimed in part at Russia's energy sector, would kill off the planned Nord Stream 2, a natural gas pipeline stretching from Russia to Germany. This would undermine Europe's energy security, they charge.

"Europe's energy supply is a matter for Europe, not the United States of America," German Foreign Minister Sigmar Gabriel and Austrian Chancellor Christian Kern said in a joint statement. "Instruments for political sanctions should not be tied to economic interests." Under the law, according to Bloomberg, the president could impose sanctions against companies that make investments or sell goods or services to Russia's export pipelines of $5 million or more a year.

But the Europeans' ire is misplaced, or perhaps even feigned, as Nord Stream 2 is nothing more than a cash cow for Russia's mighty Gazprom and the European gas industry, as well as a climate killer that would undermine the Paris Climate Agreement.

In fact, Europe proper is vastly better off without the €9 billion conduit, which the Central Europeans have vigorously opposed from the onset for geostrategic reasons. Yet even more damning: Nord Stream 2 is a device for Russia and the Western gas sector to commit Europe to natural gas for decades into the future, despite the EU's declared goal to decarbonise its economies.

Serving the gas industry, not Europeans

Firstly, in terms of gas supply, Nord Stream 2 is superfluous. The existing capacity of gas pipelines between the EU and Russia already provides much more natural gas than Europe currently needs. (EU countries rely

on Russian imports for about a third of their gas). In 2015 Europe tapped only 70 percent of Nord Stream 1's capacity, according to Gazprom, which was a record high. And even more Russian gas will be available when the Nord Stream 1 pipeline doubles its capacity in 2019, as is planned.

Russia's contribution to Europe's gas supply today is not nearly as important as it was in 2006 and 2009, when for political reasons Moscow turned off the taps on Eastern Europe. EU energy market measures and other moves have diversified gas supply: liquid natural gas (LNG) and domestic biogas are available in far greater volumes than just a few years ago. Algeria and Norway above all, but also the Gulf states, are in the position to supply more, if the need exists. Indeed, if there were a gap in gas supply, it wouldn't automatically be filled by the US, as the Europeans claim. Currently, US LNG sales to Europe are tiny. Imported Russian gas is currently preferred over alternatives because it is marginally cheaper, not because there's no other choice.

Moreover, European consumption of natural gas is sinking and will probably continue to do so. From its 2010 peak of 595 billion cubic meters (bcm) of natural gas, it had dropped a fifth by 2014 to 481 bcm, the lowest level since the early 1990s. The EU's gas consumption did tick up in 2015 and 2016, but current supply easily provides this volume and the trend is downward – despite the claims of the gas industry – as energy efficiency measures reduce demand.

Dirtier than renewables

Indeed, the construction of Nord Stream 2 also flies in the face of Europe's climate goals, as set out in the Paris Climate Agreement in 2015. Natural gas is a less dirty fuel than coal and oil, but it is also a fossil fuel, and will be phased out in Europe in coming decades, after coal, nuclear, and oil. The pipeline's operation for the next 55 years, as is planned, will only make it harder to reach the EU goal to cut its emissions by 80 to 95 percent by 2050 compared to 1990 levels. What place will another huge gas cross-Europe line have in our economies in 2040 or 2050? The plan is that it be none at all, or at least as little as possible.

"North Stream 2 is a completely pointless bet on a supposed future fuel mix in Europe that includes a lot of gas. The gas industry wants to make it a self-fulfilling prophesy," says Sabrina Schulz of the Berlin-based think tank E3G.

The big winner of the $10 billion project would be the Kremlin, which

would reap European payments flowing to Moscow for half a century. The Western firms involved, including Uniper, Wintershall, Shell, OMV and Engie, would secure their investment even while renewable energy becomes dominant. Their interest then would be to discourage energy conservation and delay the transition to renewables.

Of course, the endeavour is still opposed by Poland, Ukraine, Slovakia and the Baltic States, which see the offshore pipeline under the Baltic Sea between Russia and Germany as happening at their expense. The project, they argue, by skirting their territories, would subject them to higher gas prices and put them in an even weaker position with Russia. “Gazprom would have an essentially captive market in south-eastern countries, with a significant demand for natural gas,” claims a report by the Belgian think-tank Bruegel.

It’s remarkable how quickly the Western Europeans have forgotten the scares that stemmed from Russia’s manipulation of gas prices. Moscow continues to hold energy supply over Europe’s head. Nord Stream 2 would just increase this leverage, as well as stymie climate protection, in the name of profits for a handful of energy companies, first among them Putin’s Gazprom.



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