



## UKRAINE

# More Nord Stream 2 Sanctions On Horizon? U.S. Senator And Ukraine's Naftogaz Discuss Ways To Halt Controversial Gas Pipeline

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By Todd Prince

U.S. and Ukrainian efforts to stop Russia's Nord Stream 2 project from being completed have not ended with the December passage of U.S. sanctions that have effectively prevented vessels from laying the final stretch of the natural-gas pipeline.

Andriy Kobolyev, the chief executive officer of Ukraine's state-owned gas giant Naftogaz, traveled to the United States in early March to lobby for measures to further stall the \$11 billion pipeline that aims to reroute European Union-bound Russian gas supplies, circumventing established routes through Ukraine.

Kremlin-controlled Gazprom is seeking to use its own vessel to complete the last 160 kilometers of the pipeline along the bottom of the Baltic Sea from Russia to Germany.

Russian President Vladimir Putin said in January during a press conference with German Chancellor Angela Merkel that he hoped the project would be completed in early 2021 at the latest. Several U.S. analysts have said that timeframe was reasonable.

But members of the U.S. Congress and Ukraine appear to be working on their next move.

"There is a very elegant and efficient way available to the U.S. government to make sure this pipeline will never happen and we believe that this should be done," Kobolyev told RFE/RL in Washington on March 3 following his meetings with congressmembers, including Senator Ted Cruz (Republican, Texas), who is seen as a leading voice in the effort.

The United States in December passed a provision as part of the National Defense Authorization Act that imposes sanctions on any vessels helping Gazprom lay the Nord Stream 2 pipeline along the Baltic Sea.

The provision forced Switzerland's Allseas Group to immediately abandon its work on the project, leaving a gap in the Denmark portion of the waters. The two parallel legs of the pipeline total just over 2,400 kilometers.

## Sanctions 'Deterrent'

The U.S. opposes Nord Stream 2 because it says the pipeline increases Europe's dependence on Russian energy and gives the Kremlin more leverage over Eastern Europe by cutting it out of lucrative transit revenue.

The Nord Stream 2 pipeline, once operating at its full capacity of 55 billion cubic meters (bcm) a year, could deprive Ukraine of billions of dollars in annual transit fees. Russia and Ukraine signed a new, five-year gas-transit agreement just days after the sanctions went into force.

Russia claims Washington is seeking to block the pipeline in order to open the European market to more U.S. liquefied natural gas (LNG). U.S. President Donald Trump in June recommended that Germany buy more U.S. LNG rather than Russian piped gas.

A member of the Senate Foreign Relations Committee, Cruz was the co-author of the sanctions bill against Nord Stream 2 passed in December. Texas is the largest producer of natural gas in the United States.

A spokesperson for Cruz told RFE/RL that the senator is focused on making sure the existing sanctions "continue to serve as a deterrent, and ensure Nord Stream 2 never comes on line."

What exactly the United States will do if Russia comes close to completing the project is unclear, and Kobolyev declined to give any details, saying it's a "sensitive issue."

"If the U.S. really wants this pipeline not to happen, there is a way to achieve that outcome. That is why we are here" in Washington, he said.

Russia has two ships it could potentially use to complete the project: the Akademik Chersky and the Fortuna. However, Russia would first need to receive a permit from Denmark to deploy the ships in its waters and that could be complicated, analysts said.

## **Bombs On The Seabed**

Denmark requires ships constructing the offshore pipeline to possess dynamic positioning systems, which allow a ship to maintain its position and heading without the use of an anchor.

Denmark restricts the use of anchors because its Baltic seabed is scattered with bombs from World War II that could cause environmental damage if they exploded, said Margarita Assenova, a senior fellow at the Jamestown Foundation specializing on European energy issues.

The Akademik Chersky, which recently set sail from Russia's Far East toward the Suez Port in Egypt, does possess dynamic positioning. The Fortuna, located in the Baltic Sea, does not.

Chersky, though, requires a technology upgrade to be able to lay pipes. That could take two to three months, Assenova told RFE/RL. It will then take additional time for the Akademik Chersky to reach the Baltic, she said.

Gazprom is also considering a solution that involves attaching a tugboat with dynamic positioning to Fortuna, Russian media reported.

Assenova said Russia may seek to convince Denmark to ease its requirements so it can complete the project. The Danish Energy Agency told RFE/RL on March 5 that Russia had not yet requested permission for its own ships.

## **'Hazardous Alternatives'**

Senator Jeanne Shaheen (Democrat, New Hampshire), a co-author of the original Nord Stream 2 bill, said Russia was considering "hazardous alternatives" to finish the project that could harm Europe's environment and security.

"I hope Europeans remain clear-eyed about these risks and choose not to put their publics in danger. Rest assured, the United States will not stand idly by if misguided efforts to complete the project are pursued -- all options are on the table," she told RFE/RL in a statement.

Former U.S. Ambassador to Ukraine John Herbst, who has been a strong supporter of Nord Stream 2 sanctions, said he expects the United States to craft another narrowly focused sanctions bill to further delay the project.

"As the Russians proceed to try to build this capacity, [Congress] will be paying close attention. I suspect that some smart person is going to come up with another smart sanction that will deal with the next iteration of this [pipeline construction] if that is necessary," he said March 3 at an Atlantic Council conference which Kobolyev also attended.

Separately, Kobolyev said he raised the idea of storing U.S. liquefied natural gas in Ukraine, which has underutilized storage capacity amid its standoff with Russia.

Kobolyev said gas prices in Europe this summer could fall below \$100 for 1,000 cubic meters amid an oversupply. U.S. energy producers could store their E.U.-bound LNG in Ukraine during the summer as they wait for higher prices to kick in with the arrival of colder weather.

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