

“Nord Stream-2” pipeline project shutter European energy security and solidarity with Ukraine

In the joint letter of nine EU member states (Poland, Hungary, Czech Republic, Slovakia, Estonia, Lithuania, Latvia, Romania and Croatia) presented to the European Commission President Jean-Claude Juncker on 17 March 2016 a great concern is voiced with regard to the legal, economic and geopolitical background of the “Nord Stream- 2” pipeline project.

Ukraine fully associates itself with that address, which in particular states that “Nord Stream-2” pipeline would generate "potentially destabilizing geopolitical consequences" for the region.

The very fact that Russia is seeking to expand capacity by constructing new pipelines, while the half of the existing transportation capacities to Europe currently remain unutilized, clearly reveals the political logic and motivation lead by the Project’s proponents.

From that point of view “Nord Stream-2” has already partially reached its goals by challenging solidarity within the EU as well as posing a significant obstacle on the way to establishing functional European Energy Union.

Major threats arising from realization of “Nord Stream-2” are:

- The new pipeline conflicts with the aim proclaimed by the EU to diversify supply sources, including plans to boost Liquefied Natural Gas supplies;
- It will considerably undermine the security of supply of the Central and Eastern European countries, reducing their direct access to gas supplies;
- The project is economically unjustified, thus the financial burden connected to the construction of the pipeline will inevitably have to be borne by EU citizens as end-consumers of the Russian gas;
- It wrecks the grounds of the strategic energy partnership between EU and Ukraine;
- Political support to the project provided so far by certain EU Member States does not reconcile with the EU stance regarding the annexation of Crimea and Russian aggression towards Ukraine.

Alongside political risks, compliance of the “Nord Stream-2” project with the EU energy legislation must be highlighted as a separate issue. Ukraine’s position in this regard is as follows:

- 1) The EU’s Third Energy Package shall be fully applicable to the new pipeline, including its requirements for third-party access and unbundling (unlike in the case of Nord Stream 1);
- 2) Nord Stream 2 shall qualify as an interconnector rather than as an upstream pipeline;
- 3) The new infrastructure exemption may not apply to “Nord Stream-2” as this project does not ensure new sources of gas supply and moreover exacerbates the natural gas supply security of the EU;
- 4) The effect of “Nord Stream-2” (even as an investment project) on Gazprom’s dominant position on the major part of the EU gas market should be scrutinized.

Ukraine, being a member of the Energy Community and implementing its obligations under the Energy Community Treaty in good faith, is of the opinion that the EU Third energy package is fully applicable to the “Nord Stream-2” project. Any attempts to immunize the “Nord Stream-2” project from the application of EU law could entail unpredictable consequences and aggravate the threats to energy security of Europe.

These concerns were formulated through the official complaint made by Naftogaz of Ukraine against the project to the Energy Community Secretariat on December 21, 2015 and passed on to the European Commission.

Ukraine believes that the European Commission should now give serious consideration to the aforementioned concerns and take necessary action.

Vienna, 22 June 2016