

Policy Department External Policies

SECURITY IMPLICATIONS OF THE NORD STREAM PROJECT

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Security Implications of the Nord Stream Project

The European Parliament's Committee on Foreign Affairs is preparing a report entitled "Environmental impact of the planned gas pipeline in the Baltic Sea to link-up Russia and Germany". This memo aims to provide background information to the committee's report by examining the security implications of the Baltic Sea gas pipeline project, also known as Nord Stream.

The memo seeks to analyse whether and how the pipeline might influence patterns of regional stability and security, including the potential of the new EU member states to act as security providers in the Northern Dimension. Its main objective is to discuss the leverage of Russia and the influence of the pipeline on the formation of the new external EU energy policy. An additional objective is to provide recommendations on how the EU should deal with any identified security aspects of the pipeline. Given the short time frame for the assignment, this paper primarily consists of a compilation of findings that have been thoroughly assessed in previous works by Totalförsvarets forskningsinstitut (Swedish Defence Research Agency – FOI). For the full argument and further sources, these reports should be consulted.¹

¹ Especially Larsson, Robert L. (2007a), *Nord Stream, Sweden and Baltic Sea Security*, Stockholm: Swedish Defence Research Agency (FOI), March 2007, FOI-R--2251-SE, and the only official FOI standpoint on the topic: FOI (2007), *Yttrande till Försvarsdepartementet rörande Nord Stream och gasledningen genom Östersjön [Report to the Ministry of Defence Concerning Nord Stream and the Gas Pipeline through the Baltic Sea]*, Stockholm: The Swedish Defence Research Agency (FOI), 7 February 2007, 06-1964:3, but also Larsson, Robert L. (2006), *Russia's Energy Policy: Security Dimensions and Russia's Reliability as an Energy Supplier*, Stockholm: The Swedish Defence Research Agency (FOI), Scientific Report FOI-R--1934--SE and Larsson, Robert L. (2007b), *Tackling Dependency: The EU and its Energy Security Challenges*, Stockholm: The Swedish Defence Research Agency (FOI), FOI-R-2311-SE, which are available from www.foi.se.

Executive Summary

- Nord Stream is primarily being driven by Russian commercial and political interests. Russia thus considers it of *vital strategic interest*. It goes against the priorities of several EU-members and might affect the EU negatively.
- Since Russia has strong ambitions of again becoming a great power and uses all available means in its endeavours, it is pivotal that the EU and its members assess the Nord Stream project in this light and act accordingly.
- An assessment of the project cannot be based on a best-case scenario. In a 50-year perspective, the expected life-span of the pipeline, the political development of Russia and its foreign policy is highly unpredictable.
- The strategic balance in the region will undoubtedly be affected by Nord Stream. Russia's energy leverage on the EU and its neighbours will increase and the ability of the small members to act as security providers in the region will be reduced when their energy security is undermined. This, in turn, will undermine the EU's ability to act as a unified entity.
- Russia's inclination to put pressure on its neighbours in times of crisis cannot be ruled out as Russia has previously resorted to this practice – even against EU and NATO members. Factors of inertia against abuse exist, but Nord Stream facilitates Russia's ability to use energy supplies as a foreign policy lever. Even the slightest risk of having supplies cut for political or other reasons by definition moves the project into the security realm also for the EU.
- The risk of terrorist attacks is small, but there are constant threats towards Russian interests and the pipeline and service riser would constitute inviting targets. However, measures to enhance security by increased military presence might be counter-productive and cause frictions at the military-political level.
- Increased Russian military presence in the Baltic Sea is highly likely in the future. This risk exists regardless of Nord Stream, but Nord Stream gives Russia an excuse to act assertively with its armed forces in the region, although not necessarily aggressively. It is unlikely that this will constitute a military threat, but the risk of increased military activity in the region should not be neglected. Nord Stream is a catalyst rather than driver of this process.
- If the pipeline and/or planned service riser are used by Russia as platforms for electronic sensors beyond what is needed for pipeline operation, this can give Russia an intelligence edge in the Baltic Sea concerning air, surface and sub surface activities – especially around Estonia, Finland, Sweden and Denmark, which thus might affect both NATO and non-aligned states.
- Even if the project seems to enhance security of supply for Germany, the EU will be affected negatively by the project since it hampers development of a common energy strategy as it divides the EU and the region into two parts, those

that benefit and those that do not. When weak members become more vulnerable, the risk of either appeasement or obstructive behaviour within the union will increase.

- Since Nord Stream claims legitimacy for the project outside existing legal frameworks, it is also possible for the EU and its members to assess the project in a political perspective. In this context, the EU can put forward political demands, rather than legal demands, and call for further assessments in order to clarify any potential implication. At the aggregated level, the EU can require or promote assessment within at least five areas, namely:
 - A thorough assessment of whether all or any of the suggested gas pipeline projects (Nord Stream, South Stream, etc.) are necessary or whether it would be sufficient to conserve energy, increase efficiency and diversify usage of energy sources for the EU and thereby meet environmental targets and reduce potential political implications from increased dependence on Russia.
 - A thorough legal assessment in order to find out whether a broader set of legal frameworks is applicable and if so, conduct a new analysis of the Nord Stream projects against this background. The different priorities of the EU members should be acknowledged.
 - A thorough assessment of all land-based alternative stretches of a gas pipeline from Russia to Europe that are technically feasible, including 'Amber' and 'Yamal I/II'. Nord Stream's own assessment should be made public and new assessments by independent experts should be used for verification. If any of these is better from an environmental and security-political point of view, it should be promoted.
 - A thorough assessment concerning a set of transparency, economic and budget-related aspects of Nord Stream and its affiliated companies. It must be made clear that neither Nord Stream nor its affiliated companies will have any financial or resource difficulties in fulfilling their responsibilities during the full life-time of the pipeline. Unless the EU and its members get a full insight into the reserve base and upstream sector in Russia, it cannot be confident that Russia has the ability to supply contracted and promised volumes of gas within the coming 50 years.
 - A thorough assessment of remaining concerns related to the responsibilities of all companies and contractors involved. Issues of crisis management, arbitration and other aspects of energy trade and operation of the pipeline, if it is to be built, must be clear in advance. Financial deposits for decommissioning of the pipeline, under EU supervision, might be necessary.

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1. Introduction

The Nord Stream project proposes constructing two natural gas pipelines from Russia to Germany under the Baltic Sea, with the likely inclusion of a service riser north-east of the island of Gotland. While the environmental, economic and energy-political concerns of the Nord Stream project are widely debated elsewhere, this paper sheds some light on the security and security-political aspects of the project by giving a *tour d'horizon* of these implications from a European and Baltic Sea region perspective.

Legally speaking, Nord Stream is a Swiss company, but economically it is a joint venture between Russia, Germany and the Netherlands. However, the most fundamental point is that the project, strategically and politically speaking, is a project driven by *Russian* interests. It serves both the commercial priorities of Gazprom and the strategic priorities of the Kremlin. The focus in this paper is hence on Russia.

Energy infrastructure is seen in Moscow as a vital strategic interest and the Nord Stream project will be treated as such by the majority stakeholder, including backing from the Russian state. The European Union is thus facing a situation where its mounting energy needs have to be balanced by the risks resulting from a vital strategic interest of a major foreign power on what can be called its home turf. Nord Stream is precedence case insofar that if the EU is not standing up for its principles in this case, Russia knows that it is possible to enforce its future energy projects without European objections.

Under normal circumstances, infrastructure is assessed primarily from a safety rather than a security point of view. However, Russia has strong aspirations of once again becoming a great power and is using all available means in its endeavours. It is thus pivotal that the EU and its members see, understand, analyse and assess the Nord Stream project in this light and consequently act accordingly. Russia has far larger strategic ambitions in Europe than other major energy suppliers, such as Norway, which makes the Nord Stream project different from any of the major pipelines found for example in the North Sea. It is inescapable that the security dimensions of the project are affected by its close connection to the Russian state.

In this context, it is important to note that Russia has been moving away from democracy, market economy and the rule of law during the reign of Vladimir Putin and, in addition, that the institutional stability and predictability of Russia must be characterised as low. It is true that most petroleum producing states have democratic deficits and dependent consumers can rarely afford the luxury of only trading with democratic states. However, lack of democracy, rule of law and a high degree of institutional instability also leads to unpredictability. In a 50-year perspective, the expected life-span of the pipeline, the future development of Russia is highly unpredictable, which adds concern to the European-Russian energy trade.

1.1. Increased Russian Leverage over the EU

Nord Stream is aimed at bypassing transit states and sending gas straight to Germany and the European continent. As a result, the strategic balance in the region will be affected. In the light of NATO enlargement and the fall of the Soviet Union, Nord Stream is naturally of little importance, but expected changes concern several areas. One of the key implications is that Russia's energy leverage over Europe and its neighbours will increase.

Taking into account the long-term Russian energy depletion and short-term increased domestic use of gas in addition to the immanent inability to extract sufficient amounts of gas, these combine to limit amounts of gas available for export.² The EU should not be confident of Russia being able to honour all its contracts on gas deliveries, even if verbal guarantees are given. Without full insight into the reserve base and upstream sector, the European consumers practically have to gamble when engaging in long-term commitments with Gazprom. Still, Nord Stream brings about an incentive to sustain the usage of fossil fuels in Europe and makes renewable sources less competitive, which in a climate change context may well lead to security concerns in the long-term perspective, although primarily for other regions than the EU.³

Nord Stream will add surplus export capacity for Russia at the same time as available gas volumes are decreasing. Nord Stream argues that overcapacity usually leads to price decreases, which is of benefit for the customer. However, excess capacity in transmission in combination with a deficit of gas may rather lead to Russia being able to choose receivers of its limited amounts of gas. This is hardly beneficial for the consumers.

On international spot markets for oil, this issue would be handled by the price mechanism related to supply and demand, but when it comes to regional gas trade, there are risks of Russia attaching a political premium to its energy supplies in the same way as it has done before against the Eastern EU and the Commonwealth of Independent States (CIS). Russia has the ability to do this today, but the Nord Stream project will, to some extent, increase Russian ability to tamper with gas flows and apply an arbitrary price policy without affecting the most important customers in Moscow's view, for example Germany.

In times of shortages, Russia will have to prioritise among its consumers and choose between the larger states of the continent or the smaller states within the former Soviet territory (with which Russia's relations are unsatisfactory). There are reasons to believe that states with strained relations with Russia will have to stand back in their imports of energy. This has been the case within the Baltic and the CIS. Practically speaking, this decreases the bargaining position of the EU-members Estonia, Latvia, Lithuania and

² See analyses by Vladimir Milov at the Russian Institute of Energy Policy and analyses on this material, for example: Umbach, Frank and Riley, Alan (2007), 'Out of Gas', *Internationale Politik*, No. Spring and Riley, Alan (2006), 'The Coming of the Russian Gas Deficit: Consequences and Solutions', *CEPS Policy Brief*, No. 116.

³ Haldén, Peter (2007), *The Geopolitics of Climate Change*, Stockholm: The Swedish Defence Research Agency (FOI), FOI-R-2377-SE.

Poland, but also Belarus and Ukraine vis-à-vis Russia. When the level of sensitivity and vulnerability of already weak members increases, this has at least two consequences.

First of all, their interests in seeking alternative (non-Russian) fuel sources are boosted, i.e. they devote more interest to domestic fuel sources such as shale oil and coal, something that is not always appreciated among the neighbours of the region and that goes against the EU's ambition of decreasing usage of fossil fuels and non-renewable resources. They might also have to divert resources to unnecessary and costly diversification of gas imports.

Secondly, when relatively weak states lose power vis-à-vis Russia, an actor that has previously acted coercively, their ability to act as security providers in the region is reduced. Nord Stream improves Germany's rather than the EU's energy security, at least as long as Germany's relations with Russia are good. However, the project undermines energy security for several other members, which in turn undermines the EU's development towards becoming one united actor. Russia's inclination to put pressure on its neighbours in times of crises cannot be ruled out, as Russia has previously resorted to this practice – even against EU and NATO members.⁴ It is important to stress that while Europe refers to energy security as security of supplies, the Russian notion of energy security usually means secure access to consumer markets, i.e. security of demand. Russia sees security-related issues in a zero-sum perspective. The vulnerability of the new EU members hence increases in parallel with increases in Russia's strength, but their vulnerability is also exacerbated by a few other parameters.

By being transit states for much of the gas to Europe, states such as Ukraine, Belarus and Poland have enjoyed some counter-leverage on Russia as they have been able to control the flow of gas for further exports to other end customers. Leverage and counter-leverage have created an interdependent and balanced situation that has put some limitations on Russia's ability to cut supplies.

The bypassed states will also lose some of the money they currently receive in transit fees. This is not a security-related aspect *per se*, but when Russia uses the Nord Stream for sending gas to Western Europe, the total amount sent through transit states will decrease. Given that only a limited amount of gas can be exported to Europe at any given time, Russia will have a strong hand in its negotiations with transit states over transit fees.

Today, there is little that points in the direction of Russia abandoning these markets altogether, but the issue must be considered. As an example, Russia would probably sacrifice some of the Baltic markets rather than the German. When Russia is given increased strength to tamper with energy flows at the same time as its pricing power and negotiating position are boosted, Russia will have the upper hand in any future stand-off, regardless of how this is related to politics or business. If Russia's negotiation power were to be combined with a political premium and threats of cutting supplies, states in and around Europe would face a serious security concern.

⁴ The pattern of Russia's foreign policy is revealed in: Hedenskog, Jakob and Larsson, Robert L. (2007), *Russian Leverage on the CIS and the Baltic States*, Stockholm: Swedish Defence Research Agency (FOI), June 2007, FOI-R-2280--SE.

Naturally, Russia's ability to control the gas flow will also increase with regard to the states that become connected to the pipeline. Assuming that this will be Germany, the Netherlands and the UK, and possibly also Belgium, they might become more sensitive to Russian pressure. It is difficult to see them becoming vulnerable to the same extent as the weaker states of Eastern Europe. However, if there are technical possibilities for Russia to tamper with the flow of gas to individual states without affecting the supply to others, there are tangible threats to the importing states, especially when something happens to trigger a crisis. This does not seem to be an imminent problem, since Russia is keener on preserving good relations with these states than with those of the CIS or Eastern Europe. Nonetheless, Germany should not exaggerate its special role vis-à-vis Moscow. During the 2007 gas and oil row between Belarus and Russia, Russia cut some of the supplies to Belarus, which eventually also affected Germany. Russia had its reasons for cutting supplies, but it is noteworthy that Germany was not informed beforehand.

It is true that Russia has traditionally been a reliable supplier to the 'West' and therefore many analysts conclude that Western Europe does not have to worry about Russia's reliability.⁵ However, are not Estonia, Latvia, Lithuania and Poland parts of 'the West' today? The new EU members and prospective EU members or neighbours have been targeted by blunt Russian foreign policy to a greater extent than Western parts of Europe.⁶ Even the slightest risk of having supplies cut for political or other reasons by definition moves the project into the security realm even for the EU, especially if it is interested in integrating its neighbours in either membership or partnership programmes. Without acknowledging the priorities and vulnerabilities of the new members, the EU loses legitimacy in its northern dimension and the process of integration loses momentum.

It is finally worth bearing in mind that Russia is forming something of a gas cartel together with Algeria, Libya, Iran, Qatar and Venezuela.⁷ This will be a producer cartel that will have substantial political and economic clout over the EU and its members if it evolves in the direction outlined by its advocates. The impact of this in the context of Nord Stream is so far hard to foresee, but the regional gas market is changing and the Nord Stream together with other pipelines to southern and eastern Europe provide bridgeheads for Russian companies that wishing to establish themselves as major energy powers in and around Europe. If Russia were willing to adhere to the business practice found within the EU, to follow the provisions of the Energy Charter Treaty and to acknowledge the benefits of reciprocity in the European notion, these implications would be reduced.

⁵ Monaghan, Andrew (2005), *Russian Oil and EU Energy Security*, Swindon: Conflict Studies Research Centre, November 2005, 05/65 and Stern, Jonathan P. (2005), *The Future of Russian Gas and Gazprom*, (Oxford: The Oxford University Press/The Oxford Institute for Energy Studies).

⁶ See further Larsson, Robert L. (2006), *Russia's Energy Policy: Security Dimensions and Russia's Reliability as an Energy Supplier*, Stockholm: The Swedish Defence Research Agency (FOI), Scientific Report FOI-R--1934--SE and Smith, Keith C. (2004), *Russian Energy Politics in the Baltics, Poland and Ukraine: A New Stealth Imperialism?*, Washington D.C.: Center for Strategic and International Studies (CSIS), December 2004,

⁷ See especially reports by Vladimir Socor in Eurasia Daily Monitor.

1.2. The Drivers of the Project

Nord Stream is not an ordinary commercial project, since the project is underpinned by strategic motives in addition to pure commercial motives. Nord Stream argues, backed by figures from the IEA, argues that Europe will need all of Nord Stream's gas supplies. However, if the IEA's so-called 'alternative scenario' is considered, 90 billion cubic meter (bcm) less than the base scenario will be needed.⁸ Naturally, there are many diverging analyses on future energy demand, but it can be questioned whether Nord Stream's 55 bcm will be needed or whether it would be sufficient to increase the capacity of existing pipelines to meet whatever demand exists after energy conservation and efficiency programmes have had an impact. Fuel diversification, increased efficiency and conservation would be more in line with EU targets than increased and entrenched usage of fossil fuels.

According to Nord Stream, the company will invest some €8 billion into the project. This is the only figure disclosed and it is therefore difficult to draw any firm conclusions from it. Neither a long-term business plan nor financing plan has been made public. Apparently, €8 billion is only part of the capital needed for construction. Costs for decommissioning are not included. In addition there will be costs for operation and maintenance. In fact, there are signs that Nord Stream is having problems in finding sufficient capital for the investment, a predicament that became obvious when the European Investment Bank started to put forward strict demands.⁹ If Nord Stream's financial situation will prove to be so poor that the Russian state has to back it up, the political drivers emerge even more visibly than before.

When the budget of a project that has an impact on large parts of the EU is shielded from insight, it is difficult for affected actors to know whether enough attention has been given to aspects of safety, security and the environment. Transparency is largely lacking. If Nord Stream's, and Gazprom's, solvency can be questioned, there are further risks of the consortium taking short-cuts when it comes to safety and technical construction of the pipeline. It must be remembered that the cost of decommissioning the pipeline will be substantial and if the existing budget for this undertaking are insufficient, or non-transparent, the littoral states of the Baltic Sea can demand substantial earmarked funds to be deposited under EU supervision in order to reduce the problems relating to a potential future bankruptcy of Nord Stream. A bankruptcy seems improbable today, but in a 50-year perspective, at a time when gas reserves have been reduced, it is a concern worth assessing even today. It must be remembered that Gazprom has a tradition of creating complex company structures that are being used, or can be used, for questionable purposes.¹⁰

Several analysts actually conclude that the project will be much more expensive than expected. Frank Umbach, one of the leading experts on energy policy in Germany,

⁸ IEA (2006), *World Energy Outlook 2006*, Paris: International Energy Agency (IEA),

⁹ Sveriges Radio (2007), 'EU-bank tveksam till gasledning [EU-bank Reluctant to Gas Pipeline]', *Sveriges Radio (SR)*, Published: 12 January 2007, Last accessed: 14 February 2007,

¹⁰ Tillack, Hans-Martin (2007b), 'Die Gazoviki, das Geld und die Gier [The Tale of Gazoviki, Money and Greed]', *Stern*, No. 38, 13 September 2007.

argues that the costs may be underestimated and may well reach €10-15 billion.¹¹ Roland Götz, a German economist, also claims that a sea-based option of the same length would be more expensive than a land-based route.¹² Furthermore, Jonathan Stern, the Professor of gas research at the Oxford Institute for Energy Studies, states that although there is no rule of thumb in these cases, in the specific case of Nord Stream “Gazprom could have doubled the capacity of the existing Yamal line through Belarus and Poland at an approximate cost of \$2.5 bn compared with approximately \$6.5bn which the first Nord Stream line will cost.”¹³ Furthermore, if the Environmental Impact Assessment process finds that the environmental implications are serious and thus expensive to tackle, costs will rise further.

The competitiveness of Nord Stream is largely based on two things, cheap gas and lack of competition. The first batch of gas is expected to come from the onshore Yuzhno-Russkoye field, which has already been explored and developed, and will therefore be relatively cheap. The second batch, i.e. for the second pipeline, is meant to come from the undeveloped Shtokman offshore field in the far north.¹⁴ This is a distant and highly problematic field that will produce highly expensive gas. Therefore, at least half of Nord Stream’s gas will be expensive. It might still be possible to sell it on the continent as Russia has almost a monopoly in some regions and markets. Both taxpayers and the consumers of the gas may therefore question the economic rationale of the project. The reasons for choosing a sea-based option instead of a land-based option are hence a matter of politics, not geology, economics or concern for the environment.

Since Nord Stream is right in its claim that its *raison d’être* is to send gas by pipelines under the Baltic Sea, there are reasons to assume that any land-based option has not been thoroughly assessed. A land-based option could possibly reduce several of the implications discussed in this paper and become a real factor for integration, especially if the priorities of smaller actors were also taken into consideration. Nord Stream will thus put serious stress on the EU’s ability to act in a manner of solidarity.

1.3. Dependence and interdependence

From a security political point of view, confidence and confidence building are paramount. The Nord Stream consortium speaks about the integrating effects of the pipeline. This creates interdependence and security and that it is a common European project. There are reasons to question these points and since Nord Stream argues outside existing legal frameworks, the EU and its members can do so too.

¹¹ Hamilton, Carl B. (2007), *Naturgasledning på Östersjöns botten: Lägesrapport 23 februari 2007* [Natural Gas Pipeline on the Seabed of the Baltic Sea: Update 23 February 2007], Stockholm: Folkpartiet, 23 February 2007, p. 5.

¹² Ibid., p. 6f.

¹³ Ibid., p. 6.

¹⁴ Nord Stream (2007a), *Tillståndsansökan: utläggande av rörledningssystem på kontinentalsockeln utanför territorialgränsen* [Application for Permit: Construction of Pipeline System on the Continental Shelf outside of territorial Waters], Nord Stream, 19 December 2007, N/A, p. 4.

Nord Stream claims that it is a common European project as it has been blessed by so-called Trans-European Network-Energy (TEN-E) status,¹⁵ and as prominent people have embraced the project. This deserves warrants two comments.

Firstly, one intention with the TEN-E status is to provide financial support in an initial phase of a project in order to explore multiple options. Projects are also meant to contribute to the liberalisation of the European energy markets.¹⁶ A TEN-E project may thus be important in several ways, but not necessarily for the whole of Europe. For example, in 2001 Sweden received support for increasing power transmission capacity in central Sweden, which was important to Sweden but unlikely to benefit any other state. It is also worth underscoring that receiving TEN-E status is neither a *carte blanche* for the project *per se*, nor vis-à-vis other projects. This is important, as TEN-E support has also been given to land-based pipeline routes through the Baltic States. Basically, any additional supply route would be welcomed if only the data on import needs are considered.

Secondly, quotes by prominent persons advocating the project are often used by Nord Stream to build further legitimacy, a practice that is sometimes too enthusiastic and the affiliations of the spokespersons are not always revealed. There are examples of people giving public presentations, speeches and interviews on the positive aspects of Russia's development¹⁷ and how Nord Stream would benefit Sweden and Europe,¹⁸ which are consequently used by Nord Stream in its marketing material in order to show the great international approval for the project.¹⁹ However, even if affiliation does not necessarily affect the agenda of the advocates, it may be interesting to know that some of them are involved in companies that deal with investments in Russian commodities.²⁰

Furthermore, the idea of interdependence as a source of stability and security is largely a European notion. The Russian notion, in contrast, illustrates a standpoint where

¹⁵ Nord Stream (2006), *Nord Stream Project Information Document: Offshore Pipeline through the Baltic Sea*, 24 October 2006,

¹⁶ See documents at: EU Commission (2007), 'Trans-European Energy Networks', *EU Commission*, Published: N/A, Last accessed: 28 February 2007, Internet: http://ec.europa.eu/ten/energy/documentation/index_en.htm.

¹⁷ One example is the former Swedish Ambassador to Moscow, Sven Hirdman. See: Hirdman, Sven (2006), *Russia's Role in Europe*, Moscow: Carnegie, N/A.

¹⁸ Hirdman, Sven (2007), 'Gasledningsprojektet i Östersjön', *Folk och Försvar*, Published: 16 January 2006, Last accessed: 15 February 2006, Internet: http://www.folkochforsvar.se/files/RK_2007/hirdman.pdf.

¹⁹ Savic, Vladislav (2006), 'Sven Hirdman, Former Sweden's Ambassador in Moscow', *Sveriges Radio*:

"Fear of Russia Dominates the Debate on the Gas Pipeline", *Swedish Radio/Dagens Eko (Reposted at Nord Stream)*, Published: 22 November 2006, Last accessed: 15 February 2006, Internet: <http://www.nord-stream.com/eng/press/media/page1/issue12/>.

²⁰ Varyag Resources (2007), 'The Board of Directors', *Varyag Resources*, Published: N/A, Last accessed: 15 February 2006, Internet: <http://www.varyag.eu/default.aspx?page=omvaryag&meny=2&id=30>.

independence is pivotal, while at the same time others should be dependent on Russia.²¹ Russia's development thus shows signs of a neo-mercantile posture. The rationale of Nord Stream is to decrease dependence on third states, which makes it rather awkward to speak about the greatness of interdependence. In short, the project hinders confidence-building in the region.

1.4. Confidence and Transparency

An aggravating factor is the lack of transparency both in the context of Russian energy policy and in the context of Nord Stream. Russia's energy policy is generally plagued by corruption, secrecy and closure of key information and data. This includes the law on state secrets, but also a non-transparent business culture where secret contract clauses are included even in relations with western counterparts, something that upsets shareholders. As the evolving Russian business culture fosters these practices, foreign firms have a decreasing room for manoeuvre on the Russian market. Therefore, German participation is no guarantee of transparency. Nord Stream is, legally speaking, a Swiss company, which exacerbates transparency problems due to the fact that insight into the Swiss corporate and banking sectors is limited. There might also be unclear aspects of the applicability of EC law concerning the project and its operation.

As indicated, Gazprom has a tradition of being linked to intermediary companies which in the press has been pointed out as shady²² since the real owners have never been made public, not even to the Russian Duma or Ukrainian Rada.²³ It is also problematic that the full corporate structure of Gazprom is unknown to the public. One associated risk is that Gazprom and Nord Stream could use shady subcontractors, intermediaries or subsidiaries (that may be registered offshore)²⁴ and thereby dodge environmental or other responsibilities. Gazprom, in its relations with international energy majors, for example Shell, has previously included clauses in the contracts that have been shielded even from the shareholders. Participation of European companies is therefore not a guarantee of transparency.

One often mentioned issue of concern is that the former German Chancellor Gerhard Schröder, four weeks before leaving office, agreed to a financial guarantee of one billion Euros by Deutsche Bank and KfW (the state-owned development bank) to

²¹ Ministry of Energy (2003), 'Energeticheskaya Strategiya Rossii na period do 2020 goda [Russia's Energy Strategy to the Year 2020], Utverzhdena no 1234-r, 28 August, 2003.' *Ministerstvo promyshlennosti i energetiki Rossii*, Published: Last accessed: 7 February 2005, Internet: <http://www.mte.gov.ru/docs/32/189.html>.

²² Kupchinsky, Roman (2006), 'Russia/Ukraine: Questions Raised About Gas Deal Intermediary', *RFE/RL*, Published: 4 January 2006, Last accessed: 25 January 2006, Internet: <http://www.rferl.org/featuresarticle/2006/01/a320b03b-185f-4733-b8df-e9322d7ccf8f.html>.

²³ Belton, Catherine (2006), 'Miller and Medvedev Talk of Transparency', *The Moscow Times*, Published: 17 January 2006, Last accessed: 17 January 2006, Internet: <http://www.moscowtimes.ru/stories/2006/01/17/041-print.html>.

²⁴ For examples, see: Tillack, Hans-Martin (2007a), 'Die Gazoviki, das Geld und die Gier [Sagan om gazoviki, pengar och girighet]', *Stern*, No. 38, 13 september 2007.

Gazprom, but the Merkel government found no irregularities.²⁵ The EU Commission has launched an investigation on the suspicion that this may constitute illegal state subsidisation. Germany has become Russia's most important trading partner. Germany is dependent on Russian energy and Russia is dependent on German goods and investments.²⁶ However, as this interdependence is largely asymmetrical and Russia attempts to advance its own independence, it would be wrong to assume that trade between EU members and Russia will be a security provider in the same way as the Coal and Steel Union in Europe once was between Germany and France. The EU does not act in unison and it is easy for Russia to sacrifice trade with one or a few of EU members while upholding trade with others, as has been illustrated by the recent embargo on Polish food products and threats of boycotts on Danish trade as a result of political friction.²⁷ Hence, the existing interdependence is largely a mirage. There are no strong barriers against coercive energy policy against individual states, only against the Union as a whole.

In this context, it is worth highlighting a risk of appeasement that increases with increasing dependence on Russian energy. Some analysts claim for example that German criticism of Russia's lack of democracy and rule of law seemed to vanish under Schröder, as did criticism about Russian human rights abuses and the war in Chechnya as pointed out by several observers.²⁸ Whether this is true is difficult to say, but it gives room to question both the project and the increasing power of Russia in Europe. Even if there are no legal problems concerning Schröder's undertaking or that, allegedly, an old friend of Putin from the Stasi is heading Nord Stream,²⁹ the project does not stand out as the role model it wishes to be concerning transparency. Exhibitions, newsletters and PR-stunts are simply not enough to build confidence.³⁰

²⁵ Benoit, Bertrand (2006), 'Berlin Clears Schröder over Guarantee to Gazprom', *Financial Times*, Published: 3 April 2006, Last accessed: 4 April 2006, Internet: <http://financialtimes.printthis.clickability.com/pt/cpt?action=cpt&title=FT.com+/+World+/+Europe+-+Berlin+clears+Schröder+over+guarantee+to+Gazprom&expire=&urlID=17787538&fb=Y&url=http://news.ft.com/cms/s/6c57626c-c33c-11da-a381-0000779e2340,s01=1.html&partnerID=1702>.

²⁶ Oldberg, Ingmar (2006a), *Aktuell tysk säkerhetspolitik: prioriteringar och tendenser*, Stockholm: Totalförsvarets forskningsinstitut (FOI), Juni 2006, FOI-R--1976--SE.

²⁷ Slobodanuk, Dmitry (2002), 'Boycott of Denmark Become Russia's Idee Fixe', *Pravda.ru*, Published: 11 June 2002, Last accessed: 22 July 2005, Internet: http://english.pravda.ru/main/2002/11/06/39240_.html.

²⁸ Benoit, Bertrand and Thornhill, John (2005), 'Fear That Gas Supply Gives Russia Too Much Power over Europe', *The Financial Times*, 12 January 2005, p. 2.

²⁹ Crawford, David and White, Greg (2005), 'Dresdner Official to Get Post with Baltic Pipeline', *The Wall Street Journal Online*, Published: 9 December 2005, Last accessed: 9 December 2005, Internet: <http://online.wsj.com/article/SB113407711212417638.html>. Concerning the Yukos affairs, see Larsson, Robert L. (2006), *Russia's Energy Policy: Security Dimensions and Russia's Reliability as an Energy Supplier*, Stockholm: The Swedish Defence Research Agency (FOI), Scientific Report FOI-R--1934--SE, pp. 89-112.

³⁰ See further: Larsson, Robert L. (2008), *Energikontroll: Kreml, Gazprom och rysk energipolitik [Energy Control: The Kremlin, Gazprom and Russian Energy Policy]*, Stockholm: Totalförsvarets forskningsinstitut (FOI), FOI-R-2445-SE.

The appeasement risk also applies to the bypassed states. It is possible to question whether a weak state would be willing to refrain from advocating human rights or democracy in order to satisfy their energy needs, or whether they would be willing to keep silent if fellow EU-members experienced cut-offs, hostile take-overs or blackmail.

However, there is an even greater risk of weak members becoming more vocal within the EU, which may cause internal friction in forming common policies. Acting in an obstructionist manner is what weak states may resort to when their priorities are overshadowed by those of stronger states. They may thus adopt blunt foreign policies, as a reaction to perceived weakness and vulnerabilities, which in turn may be counter-productive both for them and for the EU in the relations towards Russia.

In conclusion, a situation is at hand where most things can be criticized, but it is quite possible that most of these things could prove to be less problematic if insight into the project were better. The aforementioned apprehension only to a limited extent pose any explicit security concern, but they all add uncertainty and illustrate the lack of transparency, which together decreases trust and confidence in the project.

1.5. Military Activities in the Baltic Sea

It would be uncalled for to claim that the projected pipeline constitutes a military threat against the EU or the states of the Baltic Sea region. However, there are multiple military and military-political aspects and consequences that might prove to be problematic to tackle. One example is that the pipeline is supposed to be protected, both during construction and during the operational phase. Putin has therefore promised that the Russian Baltic Sea Navy will carry out this task, which includes protection against terrorism. On 25 October 2006, Putin stated on TV that:

And here, you know, one of our major priority projects is constructing the North European Gas Pipeline that will run under the Baltic Sea and ensure that our energy resources go directly to our west European consumers. This is a major project, very important for the country's economy, and indeed for all Western Europe.

And of course we are going to involve and use the opportunities offered by the navy to resolve environmental, economic, and technical problems because since the Second World War no one knows better than seamen how to operate on the bottom of the Baltic Sea. Nobody has similar means to control and to check the bottom, nobody can better accomplish the task of ensuring environmental security. All of this incorporates a few new, yet absolutely crucial directions for the navy's activities and of course, in this case, in the Baltic Sea.³¹

The fact that naval vessels and submarines are unsuitable for this task is not really relevant, as Russia frequently holds anti-terrorism exercises by utilising systems of this kind. Russia has even indicated that it will use its strategic air force for protecting sea lines of communication and trade. Putin also stated that "The patrols will take place

³¹ Putin citerad i Hirdman, Sven (2007), 'Gasledningsprojektet i Östersjön', *Folk och Försvar*, Published: 16 January 2006, Last accessed: 15 February 2006, Internet: http://www.folkochforsvar.se/files/RK_2007/hirdman.pdf.

above all in areas where Russian Federation shipping and economic activity is most active.”³² Nord Stream will be a vital piece of infrastructure and given Russia’s renewed interest in increasing its arms procurement and, military exercises in a rather offensive way, especially in the Nordic Area, an increased Russian military presence in the Baltic Sea is highly likely.

If Russia increases its military presence, pressure will be put on other littoral states to follow in order to show flag and tackle any challenges. NATO and non-aligned states should thus be prepared for changes in the naval pattern in the region. There have even been voices advocating Sweden joining NATO in this perspective.³³ Surely, Nord Stream *per se* is no driver towards NATO-membership, but refraining from acknowledging the risk of militarisation would be a mistake.

Naturally, there is already legal room for an increased military presence and the risk of increasing military activities in the Baltic Sea exists regardless of Nord Stream, but the pipeline will give Russia and other states a reason to step up any efforts and an excuse to conduct power projection activities. Normally, this can be handled, but it is difficult to foresee developments that occur in times of crisis even if factors of inertia exist.

If the nationalistic development of today’s Russia continues, a future situation of regional frictions with increased attention to power projections cannot be excluded. Armed hostilities would be unlikely, but rising tension may well increase and become a military-political point of friction.

1.6. Terrorism and Counter-terrorism

Nord Stream often claims that the risk of terrorist attacks is low and that, historically, the frequency of incidents against this kind of installations is low. This is by and large correct, but it does happen occasionally, as demonstrated by a terrorist attack in Nigeria on 2 June 2006. It would thus be unwise to base a risk analysis on a best-case scenario approach.

There are continuous threats of terrorism towards Russia, for example stemming from North Caucasus, and playing down any risk that might emerge during the life-span of the pipeline would be unwise from a security point of view. At the same time, enhancing security by an increased military presence might, as argued, bring along other consequences. An intention to ensure energy supplies is of course positive, but if this is done in a way that is not appreciated by the littoral states, it will be counter-productive. If the current political trend continues and considering the fact that the pipeline is planned to be in operation for five decades, a high level of uncertainty must be reckoned with.

³² President of Russia (2007) *Press Statement and Responses to Media Questions following the Peace Mission 2007 Counterterrorism Exercises and the Shanghai Cooperation Organisation Summit* hämtat: 28 August 2007, adress:

http://www.kremlin.ru/eng/speeches/2007/08/17/2033_type82915_141812.shtml.

³³ Palmstierna, Rutger (2007), 'Gasledningen kräver upprustning [The Gas Pipeline Demands Military build-Up]', *Svenska Dagbladet*, 20 december 2007p. 5.

Despite its concrete coating, an underwater pipeline is rather vulnerable and one diver would be enough to set an explosive device. However, the impact of such an assault would probably be rather modest and an incident of this type would most likely not result in a major explosion. The real danger would be if there were vessels above the pipeline during the explosion, a risk that would increase as shipping increases.

In contrast to the pipeline itself, the proposed service riser would be a highly inviting target. Should a riser be constructed and staffed by Russian citizens, Russian demands for protection against terrorists would follow. Legally speaking, this would fall under the jurisdiction of Sweden, but as states such as Latvia and Estonia are well aware, Russia's stated intention of protecting its citizens is sometimes blunt. On numerous occasions, Russia has indicated that it has a doctrine of preventive and pre-emptive strikes anywhere in the world where Russian interests and citizens are threatened by terrorism.

Naturally, Baltic regional cooperation on issues such as anti-terrorism can be a bridge between different state actors and Russia has been more than willing to promote international cooperation on the topic, especially in the post-9/11 era.³⁴ Putin claims that Russia is a role model in terms of anti-terrorism activities due to its successful operation in Chechnya. However, the Russian way of conducting anti-terrorist operations is not in line with the European notion.

1.7. Intelligence aspects

Obviously, the proposed service platform will not be a 'spy base', as has been claimed in the public debate; it is not even certain that it will be permanently staffed, if built at all.

However, the riser and pipeline are excellent platforms for sensors of various kinds, for example radars, hydro-acoustic systems and sonars, i.e. electronic eyes and ears that could be used both for monitoring the system and for intelligence purposes. Several of these systems *will* be placed on the platform,³⁵ but during operation it is difficult to assess whether any of them will be used for other purposes. If used, which is not for certain and the risk should not be exaggerated at present times, these would give Russia an intelligence edge in the Baltic Sea concerning all air, surface and sub-surface activities – especially around Estonia, Finland, Sweden and Denmark. This is a situation no state would wish for, at least not for integrity reasons. Russia would hardly appreciate this kind of infrastructure near Kaliningrad or Murmansk.

Furthermore, the fact that Germany and the Netherlands are part of the project is no guarantee against misuse as Russia has a tradition of holding the reins itself. NATO members and other states should be prepared for its sub-sea and surface movements, including military exercise, for example in Finland and Sweden, being more closely monitored than before, which might require counter-measures. It can be mentioned that

³⁴ Oldberg, Ingmar (2006b), *The War on Terrorism in Russian Foreign Policy*, Stockholm: Swedish Defence Research Agency (FOI), December 2006, FOI-R-2155--SE.

³⁵ Nord Stream (2007b), *Uppförande och drift av serviceplattform inom svensk ekonomisk zon: teknisk beskrivning [Construction and operation of service riser in Swedish EEZ: technical description]*, Nord Stream, December 2007, 7774001, p. 22.

Russia installed fibre-optic cables along the Yamal pipeline without informing the Polish government in advance. Protection from misuse is difficult and requires extensive insight into the project by international observers, even into control rooms and monitoring programmes.

1.8. Intra-EU Clashes and Cooperation

The EU as such might be negatively affected by the project, as it might cause clashes in the process of developing a common energy strategy. In March 2006, the EU declared its intention to launch such a strategy when it released its Green Book on Energy.³⁶ In the Russian-European 'energy game', Russia aims to create and play by its own rules, which may have wider repercussions on the development of a common EU energy policy as it also brings about risks of increased internal competition in the EU. When issues such as energy become securitised in the Baltic Sea region, problems also occur when states compete over access and influence within the EU framework.³⁷ Russia's ability to sow dissension seems to be a key factor when it comes to European attempts to bridge any problem of this kind. Therefore, bilateralism seems to prevail over common priorities, which undermines EU solidarity and makes it increasingly difficult to form a united energy policy.

Consequently, the pipeline divides the EU and the Baltic Sea Region into two parts. Of the EU states in the region, only Germany and possibly Denmark has a positive view of the project. Sweden and Finland have been somewhat sceptical and Poland, Estonia, Latvia and Lithuania are generally opposed, for various reasons. It would thus be unreasonable to view Nord Stream as a *common* project that unites the EU and the region.

Nord Stream and other advocates of the project claim that the pipeline is a common European project, not only a Russo-German project. Nothing could be more wrong. Germany is the only major European owner, although Dutch Gasunie will be allowed to take a part of the German share. Russia calls most of the shots, and the bulk of the gas is earmarked for Germany. The fact that certain EU Commissioners have embraced the project is insignificant; some information even suggests that the majority of the European parliament is opposed to it.³⁸ When some EU members carry out projects without acknowledging the priorities and interests of smaller members, it is a serious blow to the forces of integration and solidarity in Europe.

If bilateral projects with security implications for the new members prevail over common projects, it will also be increasingly difficult for the new members to become security providers in the post-Cold War security architecture of the Baltic Sea region. In a solidarity perspective, a responsible approach from the EU would instead be to ensure

³⁶ EU Commission (2006), *Green Paper: A European Strategy for a Sustainable, Competitive and Secure Energy*, Brussel: The EU Commission, 8 March 2006, COM (2006)105 Final.

³⁷ Browning, Christopher S. and Joenniemi, Pertti (2004), 'Regionality Beyond Security? The Baltic Sea Region after Enlargement', *Cooperation and Conflict*, Vol. 39, No. 3, p. 245ff.

³⁸ Neuman, Jonas (2007), 'EU-politiker säger nej till gasledning [EU Politician Says no to Gas Pipeline]', *Sveriges Radio*, Published: 22 January 2007, Last accessed: 14 February 2007, Internet: <http://www.sr.se/cgi-bin/ekot/artikel.asp?artikel=1158542>.

that proximity to producers and thirst for energy are not be the only guiding factors in the European-Russian relations. Intra-EU solidarity is instead called for.

Unpredictability adds further concern. While the predictability of Russian policy has improved under Putin, the long-term stability and predictability of the course of the country's foreign policy is low, since much depends on the future Russian leadership. Both Yeltsin and Putin made the strategic choice to turn westwards. However, the life span of the Nord Stream pipeline is fifty years. During this time and given the current constitution, Russia will be governed by seven to twelve presidents. Therefore, it would be short-sighted to rely on the present situation when assessing possible future implications.

2. What Should be Done

Since some of the implications of the project are related to Russia and Russian policy rather than to the pipeline *per se*, it would be in Europe's interest for Russia to develop towards democracy, rule of law, market economy, stability and predictability, but those dimensions lie outside the scope this paper. Naturally, the environmental concerns are of key importance and has been assessed before by the FOI.³⁹ While the bodies of the EU Commission approach the issue from several independent angles, the Parliament has the opportunity to analyse the project as one entity by appealing to the Commission to look deeper into certain aspects and to promote further assessments by independent experts. A few issues that ought to be addressed *in turn* by the EU are as follows:

2.1 Assess the Need for Nord Stream

When it comes to predicting demand, Nord Stream relies on data from the IEA. When the IEA speaks about meeting demand and security of supply, the focus is usually on diversification of imports rather than on energy conservation. A careful reading of Nord Stream's material reveals that its analysis is based on IEA's so-called reference scenario.⁴⁰ This means that predictions have been based on certain assumptions on sustained parameters of the energy sector. Basically, this is a 'business-as-usual-scenario'. However, if Europe makes a modest effort to save energy and use energy more efficiently by using existing technology, the IEA's 'alternative scenario' reveals that around 90bcm/year less would be needed up to the year 2030 compared with the reference scenario.⁴¹ Thus, there are arguments that the need for the additional 55bcm/year is not as urgent as claimed by Nord Stream. Whether all new gas projects (Nord Stream, South Stream, etc.) are actually needed or whether it would be sufficient to conserve energy, boost efficiency and move toward more renewable sources and thus reduce the need for more gas supply routes must be assessed and clarified. The EU should promote this.

2.2 Assess Land-based Options

If new projects are needed, the question of which option to choose is raised. As illustrated above, almost every argument points toward a land-based option being the best solution if a new pipeline is to be built, not at least for consumers of the gas. What is needed, therefore, is the complete analyses and underlying data that have been used by Nord Stream to assess and dismiss any land-based pipeline, including development of Yamal I, construction of Yamal II and especially the Amber options. The Amber option, which is not as unfeasible as some claims, would create a direct Russia-EU connection and thus fall under EC law, which would guarantee Russia's legitimate interests of avoiding unreliable transit states. In order for a discussion on Amber to gain momentum, the Union and its members can make clear that Nord Stream is not in the EU's interests while new gas supplies from Russia is.

³⁹ FOI (2007), *Yttrande till Försvarsdepartementet rörande Nord Stream och gasledningen genom Östersjön* [Report to the Ministry of Defence Concerning Nord Stream and the Gas Pipeline through the Baltic Sea], Stockholm: The Swedish Defence Research Agency (FOI), 7 February 2007, 06-1964:3.

⁴⁰ Nord Stream *Säker gasförsörjning...*

⁴¹ IEA (2006), *World Energy Outlook 2006*, Paris: International Energy Agency (IEA), p. 183.

Nord Stream claims that it is not their mission to construct a land-based option and therefore it can be assumed that land-based options have not been examined thoroughly. Concerns of the stakeholders in Nord Stream cannot be a guiding factor when new supply routes are being decided upon, since the project has common European implications even if it is not a common European project. Analyses and base data ought to include full information on financial and economic concerns and political, environmental, safety, security, economic and other aspects. If Nord Stream does not provide satisfactory material, such an assessment of a land-based alternative ought to be carried out by third parties under EU supervision. Poland's concern about ownership can be handled by EU regulation and supervision. Before this has been done, it can be questioned whether the Nord Stream project should be carried out.

2.3 Assess the Legal Scope of the Project

If new gas projects are needed, and *if* Nord Stream is the best choice, the legal scope of the projects must be addressed. There are several legal frameworks that affect the Nord Stream project, for example, the national laws on exclusive economic zones, the Espoo convention and the Helsinki Convention (HELCON).⁴² Given what has been said about the security political aspects of the pipeline, it can be questioned whether these would be the only applicable treaties.

In fact, several articles written by professors of international law and other experts show that there is room to broaden the legal scope and include treaties related to the UN charter as a legal framework.⁴³ Some information even states that the project goes against the UN charter.⁴⁴ These statements emphasise that the legal scope of the project should be widened and it stands clear that all international laws must be applied when assessing the project. The EU has an opportunity to find out whether this is the case.

All unclear aspects on responsibilities and conflict must be sorted out before the pipeline can be constructed. The security priorities of all EU members must be acknowledged. If a broader set of legal frameworks is applicable, a renewed assessment of the project must be made against this background.

2.4 Assess Transparency

If all of the requirements above are met, the issue of managing the Nord Stream project arises. As argued, quite a few of the security-related dimensions of the project stem

⁴² Riksdagen (2007), *Utrikesutskottets och miljö- och jordbruksutskottets offentliga utfrågning den 12 december 2006 om en gasledning i Östersjön – fakta om projektet – internationell rätt – tillvägagångssätt vid tillståndsprövning* [The Foreign Committee and Environmental- and Agricultural Committee's Public Hearing 12 December 2006 on a Gas Pipeline in the Baltic Sea - Facts of the Project - International Law - process of Permission], Stockholm: Swedish Parliament, January 2007,

⁴³ Mahmoudi, Said (2007), 'Schweiziskt (!) gasprojekt kan stoppas [Swiss (!) Gas Project Can be Stopped]', *Svenska Dagbladet*, 6 February 2007.

⁴⁴ Bring, Ove, *et al.* (2006), 'Ryska gasledningen strider mot FN-stadgan' [Russian Gas Pipeline is Against the UN Charter]', *Dagens nyheter*, 28 November 2006.

from, or are aggravated by, the lack of transparency, which is hampering cooperation and development towards security and stability in the EU's northern sphere.

The complete ownership structure, for example concerning subsidiaries, of Nord Stream's shareholders and their sub-contracted companies should be transparent in order to avoid suspicions of financial mismanagement. To ensure that problems of corruption do not overshadow other priorities, money flows related to Nord Stream and its affiliated companies and key managers should be made public even if this is not customary in circumstances such as this one.

The problems also relate to the consortium's financial ability to handle any potential problem in a 50-year perspective. Nord Stream's complete budget, including cash-flow budgets and long-term and decommissioning budgets should thus be made public, since this is the only measurement that can be used to assess what Nord Stream's priorities are and if it has earmarked sufficient resources for safety and security. If there are concerns of solvency or a future risk of bankruptcy, the EU and its members may call for a substantial financial deposit (enough to cover decommissioning) to be placed under EU supervision before the project can be carried out. In addition, unless the EU and its members get a full insight into the reserve base and upstream sector in Russia, it cannot be confident that Russia will have the ability to supply contracted and promised volumes within the coming 50 years. This would go against the priorities and practice of Russia, but it could also be an important step towards a more market oriented posture in Russia and a sign of good will.

2.5 Assess Operations

If all of the prerequisites above are met and the project is carried out, the risk for misuse and risk of military tension must be minimised. It is true that Russia unlikely would feel obliged to follow its commitment, but it should in this context be made clear exactly what the role of the Russian, or German, naval forces is during all phases of the project, in addition to what equipment they intend to use.

The international community should furthermore be guaranteed full insight into the project, management and control rooms, even those located in Switzerland, in order to ensure confidence and reduce the risk of abuse. Possibly an international control group with representatives from all states that has parts of the pipeline in their economic zones should be created and given exclusive access. The idea of having a multilateral security task force to handle potential threats from terrorism should be looked into. Possibly this could be linked to the Helsinki Commission. Sanction regimes may also become necessary if Nord Stream and its stakeholders fail to meet demands for transparency.

The Energy Charter does not regulate projects of this kind, but if Russia were to adhere to the principles of this Charter, some problems of gas trade between Russia and Europe could be tackled and confidence increased.

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