

# EUROPEAN FUTURES

## Energy Policy at the crossroads: How Nord Stream 2 is challenging the Internal Energy Market

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[.https://www.europeanfutures.ed.ac.uk/topics/jean-monnet-centre-of-excellence](https://www.europeanfutures.ed.ac.uk/topics/jean-monnet-centre-of-excellence)

Nord Stream 2 is possibly one of the most debated and controversial topics in energy policy and it has been so since feasibility studies for this project started in 2011. According to the [European Commission \(http://europa.eu/rapid/press-release\\_IP-17-1571\\_en.htm\)](http://europa.eu/rapid/press-release_IP-17-1571_en.htm), 'the Nord Stream 2 project does not contribute to the Energy Union objectives of giving access to new supply sources, routes or suppliers [...]; it could allow a single supplier to further strengthen its position on the European Union gas market and lead to a further concentration of supply routes'. In addition, it would endanger existing transport routes via Ukraine. But why is Nord Stream 2 so controversial and why does it seem to put at risk the very functioning of the Internal Energy Market as argued by the Commission?



Source: <http://www.kremlin.ru/events/president/news/57496/photos>

Nord Stream 2 is owned by Russian Gazprom together with a consortium of five European energy companies: Uniper and Wintershall (Germany), Royal Dutch Shell (UK – Netherlands), Engie (France), and OMV (Austria). If built, the project will double the amount of energy that transits from Russia to Germany. In doing so, it might reduce the importance of Ukraine as a transit country. In an attempt to make sure that the pipeline, if built, would comply to EU energy market rules, in June 2017, the European Commission asked the Council a mandate to negotiate a specific regime with Russia. Having failed, so far, to obtain a mandate, the Commission then issued a proposal aimed to revise existing EU energy rules – namely Directive 2009/73/EC concerning common rules for the internal market in natural gas – by making them applicable to all existing and future gas pipelines between the EU and third countries. The proposal foresees to expand some provisions of EU energy law – such as unbundling and third party access – to cross-border pipelines between Member States and third countries, it establishes stricter conditions for derogations and exemptions for pipelines and strengthens the role of the Commission which would be responsible to sign intergovernmental agreements with third countries and would also have considerable powers of scrutiny in ensuring full compliance with EU law.

Unsurprisingly, this proposal triggered an animated debate within the Council where Member States such as Germany, Austria, Belgium and the Netherlands argued that such a revision was not needed. On the other hand, states such as Eastern European countries together with Sweden, Denmark and the UK have been rather supportive of the Commission proposal arguing that it would bring more clarity and would extend EU law. After several intense discussions within the Energy Working Party under the Bulgarian Presidency (January- July 2018) and unable to resolve several 'pending issues', in June 2018 the Working Party asked COREPER to 'provide guidance for further technical work ([https://www.consilium.europa.eu/register/en/content/out?&typ=ENTRY&i=ADV&DOC\\_ID=ST-10224-2018-INIT](https://www.consilium.europa.eu/register/en/content/out?&typ=ENTRY&i=ADV&DOC_ID=ST-10224-2018-INIT))' on the proposal. After many hesitations and uncertainties, the item was finally put on the agenda of the very last [Coreper I meeting of the](#)

[Bulgarian Presidency on June 20<sup>th</sup>](https://www.consilium.europa.eu/en/meetings/mpo/2018/6/coreper-1-(263711)/) ([https://www.consilium.europa.eu/en/meetings/mpo/2018/6/coreper-1-\(263711\)/](https://www.consilium.europa.eu/en/meetings/mpo/2018/6/coreper-1-(263711)/)), but very little seems to have happened after that in terms of progress in the legislative process.

Meanwhile, the division between those who think that Nord Stream 2 is a mere economic project and those who think that is a political issue became even more apparent during the summer. In a [meeting with Chancellor Angela Merkel in Meseberg](https://www.euractiv.com/section/energy/news/putin-and-merkel-meet-to-find-solution-on-gas-pipeline-nord-stream-2/) (<https://www.euractiv.com/section/energy/news/putin-and-merkel-meet-to-find-solution-on-gas-pipeline-nord-stream-2/>), Russian President Putin defined Nord Stream 2 as a 'purely economic project' while Merkel, although had used the same expression in the past, pointed out that 'Ukraine has to play a role also with Nord Stream 2 in place'. To complicate the picture even more, US President Donald Trump has put the topic at the very centre of the [NATO summit](https://www.euractiv.com/section/energy/news/trump-begins-nato-summit-with-nord-stream-2-attack/) (<https://www.euractiv.com/section/energy/news/trump-begins-nato-summit-with-nord-stream-2-attack/>) of July 2018 defining the project as 'inappropriate' and Germany as 'totally controlled by Russia'. In addition, the US has threatened [sanctions](https://www.ft.com/content/f2f1330e-cod4-11e8-95b1-d36dfe1b89a) (<https://www.ft.com/content/f2f1330e-cod4-11e8-95b1-d36dfe1b89a>) to the companies involved in the NS2. In a recent official visit to Germany, Polish President has also restated his opposition to the pipeline arguing that Germany should not be involved in Nord Stream 2 and that the project should be stopped by the Commission.

On the more technical side, the construction of Nord Stream 2 has been going ahead by the end of the summer Russia, Finland, Sweden, and Germany signed the respective permits while the one for Denmark is still pending. Despite this, at the end of August [construction began in German waters](https://www.ft.com/content/914ea146-ac42-11e8-94bd-cba20d67390c) (<https://www.ft.com/content/914ea146-ac42-11e8-94bd-cba20d67390c>).

The only thing to be progressing very slowly – if progressing at all – is the legislative process of the revision of the gas directive where the Commission proposal is still [awaiting Parliament 1st reading](https://oeil.secure.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2017/0294(COD)&l=en) ([https://oeil.secure.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2017/0294\(COD\)&l=en](https://oeil.secure.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2017/0294(COD)&l=en)). The question then arises as to the future of this proposal as well as to the future of EU rules on the gas market. The difficulties around the revision of the gas directive allow for some reflections about the ability of the EU to achieve its energy policy objectives as defined by the Treaties when these seem threatened by projects such as NS2. If NS2 is built and the proposed revision is not successful, then the EU will have to capitalise on other ways to ensure that the gas market will still be diversified and competitive. This includes diversifying routes, promoting access to Liquefied Natural Gas and gas storage as well as strengthening energy-related infrastructure within the European Union.



([http://researchprofiles.herts.ac.uk/portal/en/persons/francesca-batzella\(52975327-b734-45ce-8973-45654f64e024\).html](http://researchprofiles.herts.ac.uk/portal/en/persons/francesca-batzella(52975327-b734-45ce-8973-45654f64e024).html))  
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