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The Politicization of Nord Stream 2 in Germany

The machinations of the Kremlin, the connections of party-leading politicians to Moscow, the interests of state-run energy companies, allegations over lobbying: these are not only aspects of Special Counsel Robert Mueller's investigation in the United States, but have also come to be at the centre of the debate in Germany around the Nord Stream 2 pipeline, a proposed second gas link along the Baltic seabed directly from Russia to Germany. The prospect of this pipeline emerged as a flashpoint in the recent election campaign and in the subsequent coalition negotiations. As Germany enters a period of significant political uncertainty following the collapse of coalition formation negotiations on 19 November, the pipeline's future will hang in the balance.

Before Germany's 24 September general election, Nord Stream 2 did not carry significant political baggage within the German government. The pre-election coalition partners — Chancellor Angela Merkel’s Christian Democratic Union (CDU) and the Social Democrats (SPD) — both supported the pipeline’s construction, although even then there was some, at that point relatively muted, opposition to the plan from within the CDU.
Russian-German energy ties in general, and gas pipelines in particular, have a long and politically significant history stretching back to the Cold War. The natural gas business formed a key aspect of Ostpolitik beginning with Chancellor Willy Brandt of the SPD, a role it continued to play under Chancellor Helmut Schmidt despite vociferous opposition from the US.

In more recent history, both the SPD and CDU have continued to see energy ties as a way to bring post-Soviet Russia closer to Europe, again in the face of continued unease from the United States. Nord Stream 2 is of course the second such pipeline project, with the first approved in 2005 under Gerhard Schröder of the SPD at the end of his chancellorship. The project was widely seen as a success by many in Germany’s business community; ultimately, though, it prompted some concerns about whether Berlin was becoming too reliant on Russian gas.

Nevertheless, the Nord Stream 2 project was formally agreed in September 2015. Gazprom had long before sounded out German politicians, European energy businesses, and others on the plans. The plan provoked outrage from a number of Central and Eastern European states, with Poland and the three Baltic States of Latvia, Lithuania and Estonia repeatedly seeking to block it; the issue was regularly debated on a European level. Many also argued that the pipeline was a clear ploy to weaken Ukraine by ending its status as a gas transit country; Naftohaz even labelled it a “Trojan Horse.”

However, despite the frequent discussion of these issues within the European Union, in transatlantic organisations and think tanks, the issue did not at the time become a significant bone of contention within Germany.

Yet within weeks of the election, Norbert Röttgen, head of the Bundestag’s foreign affairs committee and an influential CDU MP, explicitly said that "the new government will be a lot more critical of the (Nord Stream 2) project". Röttgen had long been far more outspoken on the project than other CDU MPs. What made his comments so noteworthy was not just that he made them speaking for an as-of-yet unformed government; it was also his intimation that the previous government’s support for the project was a result of lobbying by the SPD.

A Long History of Lobbying

The insinuation that the former coalition’s support was the SPD’s responsibility followed naturally from the events of the German parliamentary election. This was a result of what can generously be called missteps by the SPD and Russia’s energy giants that led Nord Stream 2 to become politicized, and folded into an election campaign talking point. First was the SPD’s decision to bring Schröder into the campaign in a relatively prominent role, including inviting him to give a major speech on the last day of the SPD’s pre-election party conference. In part, this was an effort to reverse a slump in party fortunes; excited talk at the start of the year about potentially becoming Germany’s largest party had faded after poll numbers cratered over the summer.

However, Schröder’s reputation was blighted by his approval of the first Nord Stream pipeline in November, 2005, after it was clear he would be leaving office. A month after that approval, he announced he would join Gazprom’s board of directors. Schröder was named chairman of Nord Stream 2 in October 2016. In a move shockingly deaf to the German electorate, on 13 August, just six weeks before the election, Rosneft nominated Schröder to its board. Merkel herself responded with fierce criticism of the nomination.

The Greens, who compete with the SPD and Die Linke for space on the left in Germany also fiercely criticised the move. Then-MP Marieluise Beck, one of the Greens’ leading voices on foreign policy, claimed Schröder’s actions proved that “even German politicians can be bought” and that he was “undermining German and European foreign policy,” while Green MEP Reinhard Bütikofer, one of the party’s representatives in coalition talks, claimed the “SPD put itself completely at the service of Nord Stream”.

The election left both the CDU/CSU and SPD either needing to reform a new ‘grand coalition’ or to seek a fresh coalition with at least two of the other parliamentary parties: Die Linke, the Greens, the Free Democrats (FDP), or the far-right Alternative für Deutschland (AfD). Throughout the election a CDU/CSU-FDP coalition, if able to secure enough seats, was seen as the most likely outcome, and a CDU/CSU-FDP-Green coalition (known as a ‘Jamaica coalition’ as the parties’ colours match those of the Caribbean nations) in the event that...
a three-party coalition was required.

Negotiations over forming a ‘Jamaica coalition,’ however, collapsed on 19 November when the FDP withdrew, with party head Christian Lindner stating the parties lacked a “common basis of trust”. This has opened the door to renewed talks on a grand coalition, despite Schulz’s original show of reluctance. Nord Stream 2 proved just one of these contentious issues amid the talks, however, one on which progress was achieved before the talks fell apart. On 27 October, relatively early in the since-collapsed coalition negotiations, Germany’s Spiegel reported that a ‘Jamaica coalition’ would, at the very least, prompt a new review of the project. The resumption of the CDU-SPD talks, however, may breathe new life into the projects.

While the Green’s opposition had long been clear, the FDP had a number of wide-ranging positions on the pipeline, complicated by the 17 November revelation that FDP deputy leader, Wolfgang Kubicki, lobbied for Nord Stream 2 in the immediate aftermath of the election. However, this has so far received more attention in Polish media than in Germany.

The far-left Die Linke and populist right-wing AfD are both seen as supportive of the pipeline. The AfD remains riled by internal divisions, however, although the party as a whole has strongly pushed for better ties with Russia. The party explicitly targeted Russian-speaking Germans as well, running ads on Rossiya-1 and in Russian-language German newspapers. While Die Linke is broadly seen as pro-Russian as well, the pipeline has not received its blanket support, with some of its Bundestag MPs openly criticising it. However, neither party has any serious hopes of being invited for coalition talks.

It should also be noted that the CDU’s Bavarian sister party, the Christian Social Union (CSU) have their own position on the pipeline. CSU leader Horst Seehofer, has long advocated for better relations with Moscow. Seehofer has called for a gradual easing of sanctions, although he has not explicitly stated a position on Nord Stream 2 and also labelled Schröder’s Russian ties as ‘unsavoury’ during the election campaign. Although there is little hope of a return to the negotiating table for a ‘Jamaica coalition,’ the talks also demonstrated the hardening of the CDU’s position, meaning the issue will again become a point of contention as talks with the SPD proceed.

Perhaps unsurprisingly, given the blowback from Schröder’s involvement, the SPD remained relatively silent on discussions around the pipeline in the weeks after the election. This changed dramatically when senior SPD member and incumbent Foreign Minister Sigmar Gabriel effectively endorsed the project during a 29 November visit to Russia.

US Sanctions Put Pressure on Nordstream 2

Gabriel’s statement came the same day that US Deputy Assistant Secretary of State for the Bureau of Energy Resources, John McCarrick, told journalists “don’t see the possibility that Nord Stream 2 can be built.” McCarrick’s statement provides the clearest evidence that Nord Stream 2 faces other threats outside of Germany’s coalition formation negotiations. The phase in the international battle over the pipeline came just a day later when Denmark passed legislation that would enable its government to block the pipeline’s proposed route through its waters.

The geo-economic tussle extends to Brussels and Washington as well. Moscow accuses the European Union of seeking to block the project as Brussels pushes new regulations that would require it receive EU backing. Poland has already employed creative measures to hinder the project, notably through its anti-monopoly authority refusing to grant permission to Gazprom’s partners – Wintershall, Royal Dutch Shell ÖMV, Engie, Uniper – for the project, which resulted in them giving up direct ownership stakes and instead agreeing loans to Gazprom, with each of the five loaning EUR950m towards its construction.

The latest round of US sanctions, that the US Congress forced upon President Donald Trump in August, the Countering America’s Adversaries through Sanctions Act (CAASTA), also puts European companies at risk if they fund the pipeline. Section 232 of the bill explicitly reads “The President, in coordination with allies of the United States, may impose … sanctions … to a person if the President determines that the person knowingly, on or after the date of the enactment of this Act, makes an investment described in subsection (b) or sells, leases, or provides to the Russian Federation, for the construction of Russian energy export pipelines”.

So far, however, the threat of US sanctions has not affected Gazprom’s partners. During ÖMV’s third-quarter conference call its CFO Reinhard Florey sounded positive following the most recent US State Department guidance. On 14 November Wintershall CEO Mario Mehren announced the company planned to continue its participation in the project. Germany’s largest business lobby, the Federation of German Industries (BDI), also explicitly criticised the US’ actions. However, the threat of sanctions and their ability to disincentivize participation in the project are assisted by the falling gap in price between gas purchases from Gazprom and LNG imports. Nevertheless, European gas purchases from Gazprom continue to rise and many German businesses argue Nord Stream 2 will ensure growing demand is met.

Germany has long been able to tread its own path on energy politics, even at the height of the Cold War, as Brand and Schmidt’s variations of Ostpolitik proved. When examining the broader geoeconomics of the Russian-EU gas trade, it is clear that the assumption offered by McCarrick on behalf of the US State Department is premature. Sanctioning the European energy companies involved would risk a major backlash from leading EU members, not just Germany, although it would likely lead the response.

The Pipeline is Becoming a German Bargaining Chip

Nevertheless, rather than react to Moscow or Washington’s efforts, Germany is likely to be increasingly assertive and to itself use the pipeline as a bargaining chip. A major foreign policy speech by Foreign Minister Gabriel on 5 December explicitly called for Berlin to be willing to challenge the US both geopolitically and geoeconomically. Gabriel’s speech did not even mention former NATO Secretary General Anders Fogh Rasmussens’ description of the pipeline as a "trap," which he offered in response to a question about Gabriel, only days earlier. This goes to prove that Germany is already in the process of developing into a new geopolitical role, although exactly how this will play out remains in flux while the makeup of the next government remains unclear.

The geopolitics and geoeconomics of the future government are likely being hotly debated during the CDU/CSU and SPD negotiations. While Gabriel’s support indicates the SPD sees the pipeline as a potential way to balance against the Trump administration in the US, Röttgen’s above-mentioned comments indicate Germany could use the pipeline as a bargaining chip with other EU members as Berlin considers EU reform, which the SPD, and Schulz in particular, prioritises.

As a result, even amid uncertainty around the impact of US sanctions and Brussels’ regulations, it will be German politics and geopolitics that are the ultimate arbiter of whether or not the pipeline is built.

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