

Nord Stream 2 AG exempted from US sanctions

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On 19 May, the US Department of State presented a mandatory report to Congress listing the entities which are to be subject to the PEESCA sanctions concerning Nord Stream 2 under the 2021 National Defense Authorisation Act. According to a statement by Secretary of State Antony Blinken, the sanctions will apply (unless waived) to four vessels, five entities and one individual involved in the implementation of the NS2 gas pipeline; this includes the company responsible for its construction, Nord Stream 2 AG (wholly owned by Gazprom), and its CEO Matthias Warnig. As a result, nine additional ships owned or controlled by the state-owned Russian Maritime Rescue Service are to be subjected to restrictions. At the same time, Blinken announced that it was in the United States' national interest to waive Nord Stream 2 AG, its president and other management staff from application of sanctions. The US Office of Foreign Assets Control (OFAC) is also expected to publish guidelines enabling the continuation of a range of activities and transactions involving the Russian Maritime Rescue Service which are not related to the construction of NS2.

The ships subject to restrictions include pipe-laying vessels (the *Akademik Chersky*), as well as icebreakers (the *Yuri Topchev* and the *Vladislav Strizhov*) and offshore support vessels (the *Baltiysky Isledovatel*). In addition to these, sanctions have been applied to the Koksokchimtrans and Mortransservice companies, the Samara Heat and Energy Property Fund (co-owners of the *Akademik Chersky*), and the Maritime Rescue Service, which owns many of the vessels involved in NS2's construction.

According to Blinken, the report shows that the administration in Washington is constantly striving to ensure energy security in Europe, but in a manner consistent with President Biden's intention to rebuild good relations with the US's partners and allies in Europe. This is confirmed by the multilateral consultations which Washington has been holding with European countries (including Germany in particular), which the law obliges the administration to conduct before the sanctions are imposed. At the same time, the United States is still opposed to the completion of the project, which it perceives as undermining the energy security of Europe as a whole, Ukraine and the countries on NATO's eastern flank. In addition, the State Department representative Jalina Porter emphasised during a meeting with journalists that the US will resort to all possible means to stop the investment from being completed.

Commentary

- The new list of entities involved in the construction of NS2 which have been subjected to US sanctions is not as extensive as critics of the project in Europe and the US (including

Congress) had expected, and the choice seems to be motivated mainly by US foreign policy goals. This is indicated *inter alia* by the timing of the new restrictions announcement – the day after Blinken’s talks with the German foreign minister Heiko Maas, and just before his meeting with the Russian foreign minister Sergei Lavrov.

- Although the list is longer than the previous one (which Congress received in the second half of February this year, and included the ship *Fortuna* and its owner), everything indicates that it will not slow down the construction of the final section of the gas pipeline. Despite the sanctions currently in force, the only thing which has so far forced the *Fortuna* to stop laying the pipe on the bottom of the Baltic Sea has been adverse weather conditions. At present, the work has actually accelerated, due to the involvement since the end of April 2021 of the *Akademik Chersky*: both ships can lay up to around 2 km of pipes a day. According to estimates, their activities may come to an end by this September.
- It is also increasingly unlikely that the US will have the time to impose further sanctions that could halt the construction. The next report identifying targets for the PEESCA sanctions should be presented to Congress within 90 days, i.e. by 11 August this year, but by then the vast majority of the missing section of NS2 will most likely have been completed.
- Nevertheless, Washington still has instruments at its disposal that could significantly hinder the completion and commissioning of Nord Stream 2. First of all, for example, it could theoretically decide to lift the waivers currently guaranteed to Warnig and Nord Stream 2 AG over the coming months. It could also impose further sanctions on companies involved in the certification or insurance of the gas pipeline, which would complicate or at least delay the start of its operation. However, recent actions seem to indicate a lack of political will in the White House to currently counteract the completion of NS2 in a decisive fashion.
- The scope of the sanctions (which cover Russian entities alone), the manner in which they were announced and the consistency of the Biden administration’s actions in this matter – despite unequivocal criticism from Congress (which has repeatedly advocated blocking the construction of the gas pipeline and criticised the administration’s actions) – clearly demonstrates that yet again the US government’s priority remains the improvement of relations with Germany. Washington seems to be counting on reaching a bargain with Berlin concerning Nord Stream 2, as well as on German proposals aimed at minimising the negative effects of the project on Ukraine and the EU. The compromise on NS2 may also serve to improve US-German cooperation in other areas important to the US. At the same time, the sanctions-related activities are to some extent a derivative of the US’s foreign policy goals regarding relations with Russia. Another factor discouraging Washington from taking any more decisive steps in relation to the gas pipeline is the anticipation of the Biden–Putin summit, which has been preliminarily scheduled for June this year.