

## Construction of Nord Stream 2's first line completed

Szymon Kardaś

On 4 June, during the International Economic Forum in St. Petersburg, Russian President Vladimir Putin announced that the pipe-laying of the Nord Stream 2 gas pipeline's first line (line B) had been completed. He also announced that the construction of the second (line A) would be completed in the coming months. In turn, the statements by an anonymous representative of Gazprom published in the Russian media show that Moscow plans to complete the project in August this year.

The construction of Nord Stream 2 began in September 2018. In December 2019, after around 93–94% of the pipes had been laid, work was suspended due to US sanctions against entities involved in the investment. Construction was resumed in December last year in German waters, and in February this year work resumed within the Danish exclusive economic zone, with the help of the Russian *Fortuna* barge and supporting vessels. In April this year the Russian ship *Akademik Chersky* joined the work on line A.

### Commentary

- The completion of work on the first line of Nord Stream 2 which President Putin announced concerned work related to laying pipes. On 10 June, the Nord Stream 2 AG company confirmed that the offshore part of one line of Nord Stream 2 had been mechanically completed, including the above-water tie-in. As a result, the offshore pipeline sections running from Russia and Germany have been interconnected. In addition, the Russian side has announced that in the coming days it will test the infrastructure built in the Leningrad oblast which is to be used for gas supplies to Nord Stream 2.
- Completing the construction of the B line represents a political success for Russia, but completing the laying of all the pipes in the coming months, including those of the second line, will be an even greater triumph. The rapid completion of the investment will have taken place despite the sanctions imposed by the US (the vessels covered by them were involved in the construction work) and in the face of unflagging pressure from the project's opponents. At the same time, the Kremlin has used the completion of the first line to highlight the divisions among EU member states, praising the supporters of the pipeline for fighting in their own interests.
- However, the construction of Nord Stream 2 is being concluded after an almost two-year delay. Originally, Gazprom planned to complete it before the previous transit contract with Ukraine expired (1 January 2020). In addition, the costs of implementing the investment are certainly much higher than originally assumed (the official budget is €9.9

billion). This was due to legal (changes to the pipeline's route in Danish waters), political (US sanctions) and economic problems.

- Nor is it clear when Nord Stream 2 will be commissioned. On the one hand, after the completion of the construction work, its certification will be necessary, and the companies providing such services run the risk of being subjected to US restrictions. So far, neither the Russian side nor any of Gazprom's European partners have discussed the possible options for resolving this problem. On the other hand, the sparse reporting on this issue may be a consequence of the strategy which the project participants adopted after the United States began introducing sanctions. Although Moscow declared its readiness to complete the investment with its own ships after the first sanctions were introduced in December 2019, it did not reveal too many details concerning the preparatory work. Neither is much yet known about the other issues related to the operation of the pipeline, but the interested parties are most likely already taking appropriate action in this regard. The Russia's Permanent Representative to the EU, Vladimir Chizhov, said that Russia and the operator of the project (Nord Stream 2 AG) are prepared for any difficulties with its operation after the construction is completed. Moreover, much indicates that apart from the certification, other issues concerning the conditions for using the gas pipeline are also the subject of bilateral negotiations between Berlin and Washington. The most recent round of these talks (according to media reports) was held in early June.
- The Russian president used his announcement that the construction of the first line has been completed to make statements regarding the transit of Russian gas through Ukraine, which confirm earlier predictions about Moscow's future gas strategy. Putin confirmed that the Russian Federation would comply with the transit agreements with Ukraine in force until 2024 and ship 40 bcm of gas annually through its pipeline network. He also noted that it would be possible to maintain the transit of Russian gas through this country after 2024. At the same time, he pointed out that if it were not for the problems posed by Kyiv, the principles of bilateral gas cooperation could bring Ukraine much more benefits (higher profits from transit, lower gas prices). The Russian president's statements indicate that the completion of Nord Stream 2's construction has strengthened Moscow's negotiating position; this discourages it from offering any concrete transit guarantees for the period after the agreements in force expire after 2024. The non-binding declarations about Russia's readiness to maintain transmission via Ukraine after the new pipeline is launched are mainly aimed at neutralising some of the arguments which the project's opponents have put forward. Putin's words also indicate that the conditions for maintaining this transit will depend on Kyiv's readiness to make political concessions to Moscow.