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Veröffentlichungsversion / Published Version

Zeitschriftenartikel / journal article

#### Empfohlene Zitierung / Suggested Citation:

Sydoruk, T., Stepanets, P., & Tymeichuk, I. (2019). Nord Stream 2 as a Threat to National Interests of Poland and Ukraine. *Studia Politica: Romanian Political Science Review*, 19(3-4), 467-490. <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-68455-1>

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# Nord Stream 2 as a Threat to National Interests of Poland and Ukraine

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## Abstract

The article analyses Nord Stream 2 project in terms of the national interests of Poland and Ukraine. The authors carry out comparative analysis of risks and threats which are posed by the project to the national interests of both countries in economic, political and geopolitical spheres. The probable consequences of implementation of the Russian gas initiative are discussed. Scenarios of tactical and strategic steps of Poland and Ukraine are described. These steps would allow the countries to influence the process of Nord Stream 2 project implementation and, potentially, block it; as well as allow preparing their own energy systems to new conditions which might be formed after the launch of two lines of a new Russian gas pipeline in the Baltic Sea.

**Keywords:** Nord Stream 2, Russia, Poland, Ukraine, EU, gas, influence.

## Introduction

Since the beginning of the 2000s, the development and implementation of the Russian project of the northern gas pipeline, which was laid at the bottom of the Baltic Sea to connect Russian gas fields with the German energy market, have been the subject of an active discussion in the political and expert circles among the EU states and countries closely connected with the transportation

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process of the Russian gas. Most attention during the discussion of the project has been focused on Russia's initiative impact on European politics and economy, its compliance with the European legislation requirements and the fate of transit countries and importers of Russian gas. However, despite the contradictory nature of the project and the ambiguous reaction of stakeholders in 2010, the Russian gas monopoly Gazprom and a number of European investors succeeded in starting the construction of the Nord Stream gas pipeline which was completed in 2012 and which launched the commercial exploitation of two gas lines.

The main reason for the relatively quiet implementation of the project was the rigid policy of Berlin's officials who managed to lobby Nord Stream within the EU. Moreover, Germany used the situation that the Third Energy Package (a set of legislative norms which came into force only in 2009 and which regulates the European gas market) was not sufficiently integrated within the EU and the national legislation of its member states. Therefore, the chances of blocking the Nord Stream project were minimized. The primary motivation for such Germany's standpoint was its economic interest in the Russian project since the construction of the gas pipeline at the bottom of the Baltic Sea made it possible to avoid gas transit through the territories of Ukraine and Poland (during the first decade of the 2000s, the stability of the Ukrainian direction was repeatedly questioned). Furthermore, the project enabled Germany not to pay the transit cost of imported Russian gas which was included in the price.<sup>1</sup>

As of 2013, the first year when two lines of the gas pipeline worked during the whole calendar year, the capacity of Nord Stream did not reach the level of the project plan, namely 55 billion cubic meters (bcm) of natural gas per year. They operated at the level of 43% of the project capacity.<sup>2</sup> Therefore, the new gas line was not able to transmit a large part of Russian natural gas export to the EU which by the same year amounted to 161 bcm.<sup>3</sup> The share of gas transported by Nord Stream remained at a level that did not make it possible to oust other regional energy lines. This factor allowed the transit countries of Russian gas, such as Ukraine, Poland, Slovakia and Belarus, not to consider the Russian initiative to be strategically threatening for their transit position.

Nowadays, a completely different reaction is observed regarding the expansion of Russian Nord Stream into two new lines of Nord Stream 2

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<sup>1</sup> Hannes Adomeit, "Germany, the EU, and Russia: The Conflict over Nord Stream 2," *Centre for European Studies*, April 1, 2016, <https://carleton.ca/ces/wp-content/uploads/Adomeit-policy-brief.pdf>.

<sup>2</sup> Gabriel Collins, "Russia's Use of the "Energy Weapon" in Europe", *Baker Institute of Public Policy*, July 18, 2017, [https://www.bakerinstitute.org/media/files/files/ac785a2b/BI-Brief-071817-CES\\_Russia1.pdf](https://www.bakerinstitute.org/media/files/files/ac785a2b/BI-Brief-071817-CES_Russia1.pdf).

<sup>3</sup> Harald Hecking and Florian Weiser, "Impacts of Nord Stream 2 on the EU natural gas market," *EWI*, November 12, 2017, <https://www.ewi.research-scenarios.de/cms/wp-content/uploads/2017/09/EWI-1163-17-Studie-Impacts-of-Nord-Stream-2-web.compressed.pdf>.

pipeline which will have an identical to Nord Stream capacity. The strong negative reaction of a number of the EU states, transit states of Russian gas and global gas suppliers is predominately caused by the international conditions in which the project is implemented. First of all, the radical changes of Russia's political, economic, security and geopolitical images in the world and in the EU have played a crucial role. This is mainly due to the Kremlin's aggressive actions in Ukraine, i.e. an illegal annexation of Crimea; a military invasion of Donbas region; occupation of certain parts of Donetsk and Luhansk regions by the Russian troops; spy scandals; cyber-attacks on strategically important systems of the West; and active interference in the internal affairs of the leading countries of the world. The new image of Russia has changed the way Nord Stream 2, the construction of which started in 2016,<sup>4</sup> is perceived and has shifted it from a purely economic dimension to geopolitical. This did not correspond to the interests of the Russian Federation and Germany, the countries most interested in implementing the gas initiative.

The economic dimension of the negative reaction of many states to Nord Stream 2 also remains important, as a substantial increase in the capacity of the northern gas pipeline threatens the current transit countries of Russian gas both inside and outside the EU. These threats comprise the redistribution of the energy market and non-lucrative for transit countries gas supply diversification for Europe. In addition, new international gas suppliers, including the United States and Qatar, are seeking to expand their energy presence in the European market which makes Nord Stream 2 a threatening project for their energy ambitions.<sup>5</sup>

In the context of the above-mentioned, special attention should be paid to the analysis of the impact of Nord Stream 2 on such states as Ukraine and Poland. The complexity and the multi-level nature of the challenges posed by the Russian gas project to the interests of Kyiv and Warsaw, public consensus on Russia's negative role in the international arena and friendly relations between the two countries explain the expediency of analysing these two states from the perspective of possible consequences of Nord Stream 2 implementation.

The research theme of Nord Stream 2 as a geopolitical, economic, political, security and environmental challenge to the international community is attracting considerable attention of scientists. This interest is stimulated by several factors. Firstly, the Russian Federation has significantly increased its foreign policy activity on the international scene. Secondly, the Kremlin has posed real threats to international peace and security. Balázs Sziklai, László Kóczy and David Csercsik have made an important contribution into the

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<sup>4</sup> Nord Stream, accessed July 11, 2019, <https://www.nord-stream.com>.

<sup>5</sup> Rania El Gamal and Erik Knecht, "U.S. wants Qatar to challenge Russian gas in Europe - U.S. official," *Reuters*, January 14, 2019, <https://www.reuters.com/article/usa-energy-gulf/us-wants-qatar-to-challenge-russian-gas-in-europe-us-official-idUSL8N1ZE1XG>.

scientific research of the geopolitical influence of Nord Stream 2.<sup>6</sup> Using mathematical models, they have been able to analyse the geopolitical aspects of the Nord Stream 2 influence on the energy balance of power in the region. The geopolitical impact of the Russian energy project on the interests of Poland has been analysed by Łukasz Wojcieszak<sup>7</sup> and Marco Giuly.<sup>8</sup> Talking about the analysis of the geopolitical influence of Nord Stream 2 on Ukraine, we consider the works of Kai-Olaf Lang, Kirsten Westphal,<sup>9</sup> Ariel Cohen<sup>10</sup> and Pawel Rybacki<sup>11</sup> worth mentioning.

A significant contribution to the study of the economic impact of Nord Stream 2 on Poland's national interests has been made by Harald Hecking, Florian Weiser,<sup>12</sup> Péter Kotek, Adrienn Selei and Borbála Takácsné Toth.<sup>13</sup> They have analysed the economic challenges and threats that the project presents for Poland in the context of the complex economic impact of the gas pipeline in the European energy market. As for the economic impact of Nord Stream 2 on the interests of Ukraine, works of Alan Riley<sup>14</sup> and Simon Pirani<sup>15</sup> deserve special attention. They have examined in detail the financial and economic implications of the implementation of the Russian Baltic energy project for Ukraine.

Research into the Nord Stream projects as a political instrument of influence on European states and especially on Poland has been conducted by

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- <sup>6</sup> Balázs Sziklai, László Kóczy and Dávid Csercsik, "The geopolitical impact of Nord Stream 2," *Centre for Economic and Regional Studies of Hungarian Academy of Sciences*, October 14, 2018, <https://www.mtaki.hu/wp-content/uploads/2018/09/MTDP1821.pdf>.
- <sup>7</sup> Łukasz Wojcieszak, "Nord Stream 2 Pipeline. Role of German-Russian Energy Cooperation for Poland," *American Journal of Sociological Research* 7, no 3 (2017): 85-89.
- <sup>8</sup> Marco Giuly, "Nord Stream 2: Rule no more, but still divide," *European Policy Centre*, June 25, 2018, [http://www.epc.eu/documents/uploads/pub\\_8613\\_nordstream2.pdf?doc\\_id=2010](http://www.epc.eu/documents/uploads/pub_8613_nordstream2.pdf?doc_id=2010).
- <sup>9</sup> Kai-Olaf Lang and Kirsten Westphal, "Nord Stream 2 – A Political and Economic Contextualisation," *Stiftung Wissenschaft und Politik German Institute for International and Security Affairs*, March 13, 2017, [https://www.swp-berlin.org/fileadmin/contents/products/research\\_papers/2017RP03\\_lng\\_wep.pdf](https://www.swp-berlin.org/fileadmin/contents/products/research_papers/2017RP03_lng_wep.pdf).
- <sup>10</sup> Ariel Cohen, "Russia's Nord Stream II Pipeline Is Ukraine's Worst Nightmare," *Forbes*, June 18, 2018, <https://www.forbes.com/sites/arielcohen/2018/06/18/russias-nord-stream-ii-pipeline-is-ukraines-worst-nightmare/#556f7a0b3524>.
- <sup>11</sup> Pawel Rybacki, "Nord Stream 2: Russia's Geopolitical Trap," *Harvard Political Review*, January 17, 2019, <http://harvardpolitics.com/world/nord-stream-2/>.
- <sup>12</sup> Hecking and Weiser, "Impacts of Nord Stream 2."
- <sup>13</sup> Péter Kotek, Adrienn Selei and Borbála Takácsné Toth, "The impact of the construction of the Nord Stream 2 gas pipeline on gas prices and competition," *REKK*, February 24, 2017, [https://rekk.hu/downloads/academic\\_publications/NordStream2\\_REKK.pdf](https://rekk.hu/downloads/academic_publications/NordStream2_REKK.pdf).
- <sup>14</sup> Alan Riley, "Nord Stream 2: Understanding the Potential Consequences," *Atlantic Council*, June 20, 2018, [https://www.atlanticcouncil.org/images/publications/Nord\\_Stream\\_2\\_interactive.pdf](https://www.atlanticcouncil.org/images/publications/Nord_Stream_2_interactive.pdf).
- <sup>15</sup> Simon Pirani, "Russian gas transit," *The Oxford Institute for Energy Studies*, November 1, 2018, <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2018/11/Russian-gas-transit-through-Ukraine-after-2019-Insight-41.pdf>.

Karel Beckman<sup>16</sup> and Stefan Bouzarovski and Marcin Konieczny.<sup>17</sup> Russia's politicization of this energy project has been deeply analysed in the work written by Gabriel Collins<sup>18</sup> as one of the most important threats to the national interests of Ukraine.

Nowadays additional attention needs to be paid to studying the Nord Stream 2 impact on Ukraine and Poland in the context of challenges that this Russian energy project presents to both countries. The complexity of the challenges and threats posed by Nord Stream 2 to the interests of Ukraine and Poland; the importance of these two countries as energy sources for the EU, Russia and for the energy security in the region in general; and Ukraine-Poland partnership relations entail thorough analysis of the impact of the Russian energy project on two states.

This article aims to study the Russian gas initiative in the Baltic Sea in terms of national interests of Poland and Ukraine. Therefore, the authors of this article have identified the following research objectives: to explore the impact of the project on the national interests of Poland and Ukraine on economic, political and geopolitical levels; to compare the importance of each level of this influence for Poland and Ukraine; to discuss the probable economic, political and geopolitical consequences of the project implementation for both countries; to predict tactical and strategic steps of Poland and Ukraine in respond to the challenges posed by the Russian energy project.

The authors' approach is based on comparative analysis of risks and threats which are posed by Nord Stream 2 project to the national interests of Poland and Ukraine in economic, political and geopolitical spheres. The expediency of such a comparison is determined not only by the strong historical ties between the two states, but also by the fact that they both adhere to the inadmissibility of the Nord Stream 2 gas pipeline construction and advocate diversification of energy sources, as well as energy cooperation of Poland, the USA and Ukraine. At the same time, it can be assumed that the different political, security, economic conditions and the social situation in Poland and Ukraine lead to some differences in the approaches of the two countries to assessing the consequences of Nord Stream 2 project implementation in various spheres. Identification of similarities or differences in the positions of Warsaw and Kyiv and their characteristics will allow to comprehensively analyse the probable threats to these countries' national interests, which the implementation of this project represents.

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<sup>16</sup> Karel Beckman, "Politics and economics clash over Nord Stream 2," *Energypost.eu*, March 28, 2017, <https://energypost.eu/14574-2>.

<sup>17</sup> Stefan Bouzarovski and Marcin Konieczny, "Landscapes of Paradox: Public Discourses and Policies in Poland's Relationship With the Nord Stream Pipeline," *Geopolitics* 15 (2010): 1-21.

<sup>18</sup> Collins, "Russia's Use."

## Poland

The standpoint of Warsaw concerning the Russian energy project has been clearly outlined almost since the start of the Nord Stream 2 initiative, and it remains unchanged. In Polish politics, there is a strong consensus on the assessment of the gas project, and the main political actors of Poland have unanimously manifested it.

Polish President Andrzej Duda has repeatedly expressed his position regarding the harm and strategic negativity which is caused by the Russian gas initiative.<sup>19</sup> This point of view corresponds to the position of the Prime Minister of Poland, Mateusz Morawiecki, who underlined the clear political course of the project.<sup>20</sup> It is also worth mentioning that the parliament supports the Polish executive branch on this matter. The parliament has clearly outlined its position that the EU needs to intervene in the situation and block Nord Stream 2.<sup>21</sup> As one can see, the reaction of the Polish authorities is almost unanimous, and it is supported by the public rejection of the Russian gas initiative.

This standpoint of Poland is largely predetermined by the political monolithicity of the current Polish government, namely the domination of the Right and Justice Party in the Polish political system. Due to the history and the electorate of this political force, which is represented by the conservative part of Polish society, its anti-Russian rhetoric and actions are aimed at reducing the influence of Russia in European integration structures. This policy is a sort of an identification card of this political force which has severely condemned Nord Stream 2 on the national level and attempted to block this project with the help of the EU mechanisms.<sup>22</sup>

The reasons for such Poland's reaction to Nord Stream 2 should be considered at three levels, i.e. economic, political and geopolitical. This will give an opportunity to fully analyse the potential threats posed by the implementation of this energy project to the interests of Warsaw.

### *Economy*

Let us regard those aspects of the Polish gas market that are threatened by the Nord Stream 2 launch. The data shows that the consumption of natural gas

<sup>19</sup> Maciej Martewicz, "Poland Waves Goodbye to Russian Gas After 74 Years," *Bloomberg*, February 7, 2018, <https://www.bloomberg.com/news/articles/2018-02-08/poland-bets-on-lng-norwegian-gas-as-divorce-with-russia-looms>.

<sup>20</sup> Martewicz, "Poland Waves Goodbye."

<sup>21</sup> Marcin Czekanski, "Nord Stream 2 will hinder competition – Polish MP," *Montel*, September 19, 2018, <https://www.montelnews.com/en/story/nord-stream-2-will-hinder-competition--polish-mp/936208>.

<sup>22</sup> Bartłomiej Czetowicz, "Zaremba o Nord Stream 2: 'to jest sowietyzacja prawa unijnego'," *Radio Szczecin*, November 26, 2018, <http://radioszczecin.pl/1,380838,zaremba-o-nord-stream-2-to-jest-sowietyzacja-pra&s=1&si=1&sp=1>.

in Poland in 2017 was 19.1 bcm per year;<sup>23</sup> 26% of it was from Poland's own gas production. While 63% of Poland's natural gas consumption was imported from the Russian Federation, and only 11% of natural gas was provided as a result of diversification policies, namely via a liquefied natural gas terminal (LNG-terminal) in Świnoujście in Northern Poland which was put into operation in 2015.<sup>24</sup> Not only was such dependence of Poland on Russian gas imports predetermined by the needs of the Polish economy and the limited choice of suppliers (due to the lack of the necessary communications infrastructure with the Norwegian, American and Middle Eastern natural energy markets) but it was also caused by the requirements of the 1997 agreement on Poland's purchase of Russian gas. The contract, signed between Gazprom and the Polish gas company PGNiG, was extended in 2010. Under this agreement, Poland was obliged to import at least 8 bcm of gas per year, and since 2011 it had to import 11 bcm of gas annually. This agreement will be in force until 2022, but in November 2019 PGNiG informed Russian Gazprom about the contract termination of December 31, 2022, confirming Warsaw's strategic decision to refuse Russian imports of gas.<sup>25</sup>

Moreover, a transit contract between Poland and Russia expires in May 2020, and the Polish government is already emphasising a revision of tariff policy regarding the price increase of the Russian gas transit in Europe. It should be underlined that, despite the refusal to import gas, Poland does not consider the option of completely stopping the transit of Russian gas through its territory because Polish politics understands the threats to Europe's energy security if gas transit through the Yamal-Europe pipeline is terminated.<sup>26</sup>

Therefore, in the context of the expiration of the agreements and the development of an alternative gas route to Western European markets, Poland has faced a threat of being outside the gas pipelines between the EU and Russia and hence of losing one of the key components of its energy importance in the European market. It should be noted that the loss of the transit role does not threaten Poland in the short term since Russia scheduled the launch of Nord Stream 2 only to mid-2020.<sup>27</sup> Moreover, given the complexity of this process,

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<sup>23</sup> Martewicz, "Poland Waves Goodbye."

<sup>24</sup> Ibid.

<sup>25</sup> Marcin Czekanski, "Poland will not extend 9bcm gas supply deal with Russia," *Montel*, November 15, 2019, <https://www.montelnews.com/en/story/poland-will-not-extend-9bcm-gas-supply-deal-with-russia/1060225>.

<sup>26</sup> "Poland plans to increase the tariff for Russian gas transit", *Kosatka.Media*, August 15, 2019, <https://kosatka.media/en/category/gaz/news/polsha-planiruet-povysit-tarif-za-tranzit-rossiyskogo-gaza>.

<sup>27</sup> Dmitrieva Anastasia, "Russia expects to delay Nord Stream 2 launch to mid-2020: report," *S&P Global*, 21 November, 2019, <https://www.spglobal.com/platts/en/market-insights/latest-news/natural-gas/112119-russia-expects-to-delay-nord-stream-2-launch-to-mid-2020-report>.



the real commercial use of the two lines of the new gas pipeline can only begin in 2020-2021; therefore, this factor forces Moscow to adhere to a transit agreement with Poland. Nowadays the Kremlin via Gazprom does not regard the Polish transit route as strategic and has plans to redirect significant gas flows through Nord Stream and Nord Stream 2 the total capacity of which under the condition of maximum withdrawal will be close to 110 bcm per year. According to the data of 2017, European states imported 192 bcm of gas from Russia (81% of it was purchased by Western European countries).<sup>28</sup> Taking into account the project capacity of the northern gas pipeline, with the launch of Nord Stream 2 the Kremlin will claim that the Baltic pipeline system will be able to take over more than 50% of all deliveries of Russian natural gas to Western Europe.

Thus, the strategic value of the Polish transit route has significantly decreased, and this threatens the Polish energy sector with significant financial losses and the need to find new sources of profit. This allows reaching an interim conclusion that the transit of Russian gas as a key component of Poland's energy importance in the European market is under the strategic threat from the Nord Stream 2 launch. This additional alternative gas pipeline does not depend on transit through the territories of other states and therefore does not impose a series of transit gas surcharges for end users; and as a result, it is more economically lucrative. In such conditions, diverting the gas flow from the classical route through Ukraine, Belarus, Poland and Slovakia to the northern direction does not only promote the interests of the Russian Federation but also of importers in Western Europe.

Another important aspect of the negative impact of Nord Stream 2 on the Polish economy is the decline in the state's export capacity, caused by new gas conditions. Poland has declared the policy of diversification of gas supplies that resulted in signing contracts with gas companies of the USA, Qatar, Norway. Moreover, Warsaw has joined the implementation of the Baltic Pipe Project which should connect Poland and Denmark with the gas deposits of Norway.<sup>29</sup> Nevertheless, despite these facts, the complete refusal from Russian gas in the near future should not be expected. This is because Poland cannot quickly reduce the dependence of Polish economy upon natural gas volumes.

In the conditions of (1) the expiration of the agreement on the import of Russian gas, (2) the construction of Nord Stream 2, (3) the presence of significant gas demand on western and eastern borders of Poland which is potentially capable of partially satisfying, and (4) a low level of its own gas production, Warsaw is interested in the re-export of natural gas. The situation was also facilitated by the fact that in 2017 the Russian Federation, at the

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<sup>28</sup> "Delivery statistics", *Gazprom export*, accessed December 20, 2019, <http://www.gazpromexport.ru/en/statistics/>

<sup>29</sup> Tom Dichristopher, "Poland's goal of ditching Russian natural gas bolsters American LNG and Trump's energy agenda," *CNBC*, December 19, 2018, <https://www.cnbc.com/2018/12/19/polands-goal-of-ditching-russian-gas-yields-opportunity-for-us-Ing.html>.

request of the European Commission, agreed to lift the restrictions on the re-export of its own gas in the European market which allowed many importing states to become exporters and economically benefit from this.<sup>30</sup>

Nord Stream 2 in this context creates significant obstacles for Poland to pursue its interests because the transit of gas to Germany via the Baltic pipeline will allow the latter to become a state with the best re-export potential. The gas purchased in Russia will be free of transit surcharges, and thus not only will the Federal Republic of Germany have an opportunity to import cheaper gas but also to create better competitive re-export positions in the European market (especially in Western Europe). Firstly, Germany beneficially uses the capacity of an onshore part of Nord Stream Pipeline OPAL which runs through Germany and connects the Northern Gas Corridor with the markets of Central and Eastern Europe. Secondly, it is building a new gas pipeline EUGAL which will also run through Germany and increase the supply to European countries. Therefore, Berlin will be able to become an extremely influential player in the European market and will significantly reduce the capacity of other EU states as gas re-exporters.<sup>31</sup>

One should not forget that Russia holds the right to choose the best transit options for gas supply and thus to put pressure on European countries. Therefore, several conditions influence Poland's policy. On the one hand, Germany has been a prior direction for delivering Russian gas to the EU states. On the other hand, the Kremlin has developed its energy sector in the south of Europe through the implementation of the TurkStream project. Thus, under these conditions, Poland faces a dilemma to minimize damage from the reduction of transit through its territory and also appears to be in a tight intra-European competitive environment, in which it will be extremely difficult to become a gas hub.

## *Politics*

From the beginning of the Nord Stream 2 project discussion, the Polish politicians, experts and the public have repeatedly stated that the most important vector of the Russian gas initiative is the political one. The Polish society has regarded and continues to regard the political side of the project from the perspective of Russia's aggressive foreign policy on the international scene. Especially this concerns Russian actions in Ukraine since Ukraine's geographic vicinity to Poland, deep and strong economic ties between these neighbouring

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<sup>30</sup> Алексей Топалов, "«Газпром» помирился с Европой," (Alexey Topalov, "Gazprom Reconciled with Europe"), *Gazeta.ru*, March 13, 2017, <https://www.gazeta.ru/business/2017/03/13/10574423.shtml>.

<sup>31</sup> Agata Łoskot-Strachota and Paweł Popławski, "The EUGAL project: the German branch of Nord Stream 2," *OSW*, June 15, 2016, <https://www.osw.waw.pl/en/publikacje/analyses/2016-06-15/eugal-project-german-branch-nord-stream-2>.

states, employment of a large number of Ukrainians in Poland and close dialogues between two societies make Ukraine a priority for Polish foreign policy. Consequently, the threats to Ukraine's territorial integrity and sovereignty are also a challenge to the national security of Poland.

In this context, the Polish side has repeatedly emphasized that the Nord Stream project is a continuation of the strategy of hybrid warfare which Russia wages not only on Ukraine but on the world in general. Thus, Warsaw wants to shift the emphasis in the European political discourse concerning the Russian initiative. Poland does not view Nord Stream as a purely economic project (the Federal Republic of Germany actively promotes this idea in an effort to commercialize Nord Stream 2) but rather as a politicised by Russia project which this country seeks to use as an instrument of pressure on the EU and especially on particular member states of the economic bloc.<sup>32</sup>

Keeping this in mind, Warsaw understands Moscow's efforts to influence the EU and its member states and to formalize the split inside the bloc. Therefore, the Polish side has repeatedly emphasized that the Russian energy project is also an attempt to deepen the solidarity crisis within the Union. According to Polish officials, the project has added the energy problem to existing in the EU problems of migration, Brexit and the violation of democratic principles in a number of European states.<sup>33</sup>

It is worth noting that in Poland Nord Stream 2, or more precisely its business style and the specifics of this project implementation, is actively discussed as the Kremlin's attempt to seriously hit the regulatory framework of the energy sector of the EU, i.e. the Third Energy Package. During the implementation of the Nord Stream 2 project, a number of the EU states have questioned the effectiveness of the Third Energy Package. Warsaw mostly criticises Brussels for its inability to use the Regulations of the Third Energy Package to block Nord Stream 2. By this, it is meant that an exporter of gas has no right to control the stage of gas transportation, whereas in the case of Nord Stream 2 the operator of the gas pipeline is Nord Stream 2 AG which is directly controlled and managed by the Russian state-owned enterprise Gazprom.<sup>34</sup>

Despite the repeated attempts made by Warsaw to use the European bureaucratic mechanism to influence the development of the project in the Baltic Sea, Poland still cannot move the case along mainly because of Berlin's opposition. This aspect demonstrates yet another political dimension of the threat that Nord Stream 2 poses to the interests of Poland, namely the ineffectiveness of European institutions to shape common energy policy. Hence,

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<sup>32</sup> Czekanski, "Nord Stream 2."

<sup>33</sup> Tobias Buck, "Nord Stream 2: Gas pipeline from Russia that's dividing Europe," *The Irish Times*, July 21, 2018, <https://www.irishtimes.com/news/world/europe/nord-stream-2-gas-pipeline-from-russia-that-s-dividing-europe-1.3571552>.

<sup>34</sup> Czekanski, "Nord Stream 2."

the further political dominance of the largest EU political players and of their interests over the European rules continues. This cannot be in the interests of Poland which considers the EU mechanisms to be an opportunity to increase its own influence in the alliance and to prevent the domination of Berlin and Paris in Europe.

The problem of Nord Stream 2 in the context of the conflict between Warsaw and Brussels over judicial reform in Poland, which has been harshly criticized by Poland's European partners and the EU institutions, gains additional political importance. Being aware of the lack of alternatives to the European direction and realising how important it is to maintain effective and productive interactions within the bloc, Poland has made concessions to Brussels on the judicial system. This action has one more time demonstrated the significance of the EU for the interests of the Eastern European state.<sup>35</sup> In such circumstances, it becomes clear that the unity and power of European institutions are crucial elements in the development of Poland. Therefore, actions aimed at preserving solidarity in the EU are a major priority for the Polish side. Understanding the threats presented by Nord Stream 2 to the unity of the EU and the ability of Russia to manipulate this issue and to use gas as a means of pressure, Warsaw must do its utmost to stop the project which at a strategic level undermines the foundations of the European unity.

Thus, the political vector of Poland's standpoint regarding Nord Stream 2 is no less important than the economic one because (1) the Russian energy project in the context of Russia's aggressive foreign policy in Europe, (2) the serious internal contradictions within the EU and (3) complicated relations between Warsaw and Moscow as well as with Brussels present a threat to the political stability of the EU and a number of its neighbours.

### *Geopolitics*

Considering the geopolitical aspect of Nord Stream 2 for the national interests of Poland, we divide the geopolitical role of Warsaw into two vectors: energy competition with Germany; promotion of the energy interests of large gas states in the European market.

On the subject of the first one, it is worth starting with an analysis of Germany's energy macro indicators of the implementation of Russian energy projects in the Baltic Sea. In particular, consuming 90.2 bcm of gas in 2017, Germany imported from Russia's Gazprom about 53.4 bcm of gas.<sup>36</sup> This

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<sup>35</sup> Rybacki, "Nord Stream 2."

<sup>36</sup> Stuart Elliott and Nastassia Astrausheskaya, "Analysis: Germany, Turkey lead 2017 Russian natural gas imports," *S&P Global*, January 20, 2018, <https://www.spglobal.com/>

indicates that Russia de facto controls more than a half of gas supplies to Germany and is a leading energy player in the domestic German market. It is necessary to underline that exports to Germany make up about 27.5% of Russia's total gas exports to other countries which makes Germany the highest energy priority for Russia.<sup>37</sup> As noted above, the project capacity of the two lines of Nord Stream is approximately 55 bcm per year (this gas pipeline worked with the maximum capacity for the first time in 2018),<sup>38</sup> and this gas pipeline alone is able to meet the domestic demand of Germany in Russian gas. The fact allows claiming that by the means of Germany the Nord Stream 2 project aims to reach a larger energy scene, thereby transforming Germany into an influential transit country and a potential re-exporter of Russian gas in the European market.

Such an energy deal between Moscow and Berlin is a serious challenge to Poland which seeks to preserve its status as one of the main transit countries of Russian gas to Europe and potentially to be an influential player in the European natural gas re-export market. The emergence of Germany in the EU energy market dramatically changes the energy balance of forces in the region. In fact, ten years ago, Germany was completely dependent on the transit of gas through the territory of Poland, Ukraine and Belarus, and this imposed an additional financial burden on it. Poland took advantage of the situation since it understood that it was one of the few keys to the European gas market. Additional problems are created by the implementation of the TurkStream project by Russia and Turkey because it creates alternative ways of supplying Russian gas to the southern part of the EU.<sup>39</sup>

These conditions which are still at the stage of strategic formation induce Poland to work on strengthening another aspect of the country's geopolitical role in the European and world energy markets, namely to search for new energy allies interested in using Poland as an energy hub and an access point to the EU gas market.

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platts/en/market-insights/latest-news/natural-gas/030818-analysis-germany-turkey-lead-2017-russian-natural-gas-imports.

<sup>37</sup> Dave Keating, "How Dependent Is Germany On Russian Gas?," *Forbes*, July 19, 2018, <https://www.forbes.com/sites/davekeating/2018/07/19/how-dependent-is-germany-on-russian-gas/#396fec233b48>.

<sup>38</sup> Stuart Elliott and James Leech, "Nord Stream natural gas flows in 2018 reach almost 59 Bcm, well above capacity", *S&P Global*, January 22, 2019, <https://www.spglobal.com/platts/en/market-insights/latest-news/natural-gas/012219-nord-stream-natural-gas-flows-in-2018-reach-almost-59-bcm-well-above-capacity>.

<sup>39</sup> Astakhova Olesya, Sezer Can Turkey, "Russia launch TurkStream pipeline carrying gas to Europe," *Reuters*, January 8, 2020, <https://www.reuters.com/article/us-turkey-russia-pipeline/turkey-russia-launch-turkstream-pipeline-carrying-gas-to-europe-idUSKBN1Z71WP>.

Understanding why in the geo-energy sphere Russia chose Germany as its main ally in the EU and as the key energy partner in the European energy market, Poland, pursuing its ambitions, has begun to develop the necessary infrastructure which would allow transforming and redirecting its own market from the Russian direction to others. The greatest emphasis has been put on the implementation of two infrastructure projects: 1) the construction of an LNG terminal in the Baltic region; 2) the development of the Baltic Pipe Project.

Regarding the first one, a practical step was taken in 2015 when Prime Minister of Poland Beata Maria Szydło opened the LNG terminal in Świnoujście on the Baltic coast of the country. In future, the initial project capacity of 5 bcm is planned to be gradually increased by 2.5 bcm per year. This fact proves that Warsaw has strategic interests to actively use the terminal in Polish energy policy.<sup>40</sup> Moreover, Poland has provided powerful energy reinforcement of the initiative when Warsaw signed of contracts for the supply of liquefied natural gas with gas companies in the United States, Norway and Qatar which are the largest energy players in the world. Thus, Warsaw seeks to diversify its gas supplies, thereby reducing its dependence on Russian gas, and to be able to present the energy interests of the aforementioned states. In particular, Poland's role in maintaining the strategic interests of the leading energy countries of the world has been confirmed by US Secretary of Energy Rick Perry during his business trip to Poland. Moreover, the US delegation has stated that Poland and its LNG project should become an alternative to the Russian gas pipeline and reduce Europe's dependence on Gazprom.<sup>41</sup>

Thus, as it can be seen, Warsaw implements the project on a terminal for liquefied natural gas reception, plans a significant increase in its capacities and concludes relevant long-term gas supply agreements with leading energy countries (the United States, Qatar and Norway). In this way, Warsaw seeks to fill the energy vacuum that may arise because of Russia and Germany's implementation of the Nord Stream 2 project which qualitatively changes the energy balance of forces in the European gas market.

Such ambitions and plans of Poland are supported by the largest gas countries in the world. One of them is the United States which has been cut off from the European energy market for a long time due to Russia's dominance and its own unwillingness to come on geographically distant and economically risky markets. Meanwhile, the attitude of the EU and most of its member states towards the policy of the Russian Federation has sharply deteriorated; moreover, Europeans have recognised Nord Stream 2 as a powerful geopolitical component of the Kremlin's interests. These aspects have created favourable political conditions for new energy players to penetrate into the European gas market. The factor that the EU senior officials and the EU members regard the

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<sup>40</sup> Rybacki, "Nord Stream 2."

<sup>41</sup> Elliott and Leech, "Nord Stream natural gas."

Russian gas project as a political one enables the USA, Qatar and Norway to minimize some of the economic negativity which is represented by the prospect of a wide supply of gas from these countries to Europe, namely the high price and complex logistics of the process.

The development of the plan to build the Baltic Pipe is another important infrastructure project which Poland considers to be a key one in its strategy to turn the country into a powerful energy hub in Europe and to minimize the damage to Poland's interests caused by the launch of two new lines of Nord Stream 2. The launch of this project was announced in 2018, and it aims to connect Poland and Denmark with the Norwegian gas fields. The expected capacity of 10 bcm of gas per year will allow Poland to substantially increase Norwegian gas imports and potentially act as a transit country or a re-exporter of this gas to the European market.<sup>42</sup> Thus, once again Warsaw confirms its desire to go into a powerful competition with Germany which is a Russian power hub in Europe (Germany may become one after the launch of Nord Stream 2). Warsaw can become a hub when it constructs an alternative gas pipeline that could be used by other leading global gas suppliers to enter the EU energy market.

Summing up the geopolitical aspect of Nord Stream's influence on Poland's interests, we should stress that Polish officials almost immediately and preventively began to implement the strategy of rapid diversification of gas supplies to the state through the development of infrastructure and logistic routes for gas delivery. Poland is aware of strategic risks from the implementation of the Russian gas initiative which could potentially reduce Poland's role in transiting Russian gas. The country realises that there emerges a strong rival in the face of the Federal Republic of Germany and that the redistribution of the European gas market will not happen according to Warsaw's scenario. Thus, the Polish side clearly demonstrates that it does not renounce the idea of gaining the status of a powerful gas hub in Europe. However, Russia's choice of Germany as the main partner in the EU in gas supply makes Warsaw reorient and search for new gas suppliers for itself and for the European market among other leading gas companies in the world.

## Ukraine

Ukraine, like Poland, has adopted a clear stance on Nord Stream 2 almost immediately after the Russian Federation announced its plans to implement this project. In particular, Ukraine's President Petro Poroshenko has repeatedly emphasized that there exists a political motivation of the Russian energy project. He has been calling it a Trojan horse in European and world security. In addition, the President regards the Nord Stream 2 project and the fact that

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<sup>42</sup> Elliott and Leech, "Nord Stream natural gas."

Gazprom deliberately does not abide by the decisions of the Arbitration Institute of the Stockholm Chamber of Commerce on gas contracts between Ukraine and Russia as evidence of Russia's politicization of energy policy.<sup>43</sup>

A similar view has been expressed by Prime Minister of Ukraine Volodymyr Groysman who has repeatedly stated that Moscow uses this gas project as "a form of a disguised war of the Russian Federation against Europe" and as "geopolitical weapon of Russia."<sup>44</sup> He has emphasized that Nord Stream 2 is far from an exclusively economic initiative and is, above all, a political instrument of the Kremlin's influence on European states.<sup>45</sup>

The unity of the political elite of Ukraine regarding the Russian-led Baltic project has been promoted by a resolution adopted by the parliament of Ukraine, the Verkhovna Rada. In the resolution, Ukraine called on foreign parliaments, governments and business communities not to participate in financing, preparation of, or lobbying for the construction of Nord Stream 2 pipeline since Ukraine sees its implementation as an attempt to establish an absolute monopoly of Moscow in the gas market in Europe.<sup>46</sup>

The election of President Zelenskyi and the reformation of the Ukrainian Parliament in 2019 did not change the approach of the Ukrainian authorities to the valuation of Nord Stream 2. In particular, in October 2019, Volodymyr Zelenskyi stated that the Russian gas transportation project is "geopolitical" and "is strengthening Russia" and "weakening Europe".<sup>47</sup> This demonstrates the political inheritance of Ukraine's assessment of this energy issue at the present stage.

It should also be emphasized that the severe condemnation of this project comes not only from the politicians of Ukraine but also from the majority of Ukrainian society. Under conditions of Russia's military aggression and continuous provocations of the Kremlin, Ukrainians consider Nord Stream 2 to be another element of the hybrid war strategy which Russia uses against Ukraine. Thus, from the perspective of the Ukrainian society, the political and security aspects of this project dominate in Russia's gas initiative and push the economic aspect to the background.

The reasons for such Ukraine's reaction to Nord Stream 2, as in the case of Poland, are explained at various levels. However, in contrast to Poland, in the situation with Ukraine, there is a somewhat different priority of these levels:

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<sup>43</sup> Beckman, "Politics and economics clash."

<sup>44</sup> "The success of Ukraine depends on the success of new Government, says Volodymyr Groysman," *Government portal*, 28 August, 2019, <https://www.kmu.gov.ua/en/news/volodimir-grojsman-vid-uspihu-roboti-novogo-uryadu-zalezhit-uspikh-vsiyeyi-krayini>.

<sup>45</sup> Giuly, "Nord Stream 2."

<sup>46</sup> Ibid.

<sup>47</sup> "Ukrainian President Says Nord Stream 2 "Strengthens Russia," *RadioFreeEurope*, October 31, 2019, <https://www.rferl.org/a/ukrainian-president-says-nord-stream-2-strengthens-russia-/30246805.html>.



political, geopolitical and economic. This is predetermined by the different from Poland political, security, economic and general social situation in Ukraine.

### *Politics*

An assessment of the political dimension of Ukraine's national interests, to which Nord Stream 2 represents the greatest threat, is impossible without understanding of the current internal and external political situation in Ukraine. The illegal annexation of Crimea in 2014 and as a result its occupation which continues to this day, Russia's military incursion into Donbas and repeated armed provocations have formed a clear understanding of the northern neighbour as an enemy and a state that is waging war against Ukraine. Thus, Ukrainian society regards any foreign political activity of the Kremlin as a potential attempt to attack the sovereignty, territorial integrity and independence of Ukraine. This immediately transforms Russia into an entity that poses a threat to the basic principles of existence of the country and therefore to the interests of the highest priority such as the security of the state and its citizens.

Under such conditions, Russia's announcement about the launch of the Nord Stream 2 project and the subsequent start of the construction of the gas pipeline have caused a reaction of indignation and harsh condemnation in Ukraine. The desire of Moscow to increase its energy influence in Europe has been perceived by Ukrainian society as another attempt to expand Russia's aggression on the international scene and to occupy the EU energy sphere. Such a reaction has been especially acute because Kyiv considers the EU to be an important ally in the fight against Russian aggression. This is due to the fact that since the beginning of the aggressive actions of Moscow in Ukraine, the EU and its member states have repeatedly confirmed their support for the territorial integrity and sovereignty of Ukraine. Moreover, they have provided financial, economic, diplomatic assistance to the country and actively participated in attempts to restrain the Russian Federation by introducing against it a number of personal and sectoral sanctions. Thus, Russia's attempt to penetrate the energy sphere of the EU has been perceived by Kyiv as a way to destabilize the main ally, to break the unity within the bloc, thereby weakening the international support for Ukraine.<sup>48</sup>

In addition, in the political consciousness of Ukrainian society, Nord Stream 2 poses a threat to the unity of European states concerning prolonging sanction pressure on the Russian Federation. Kyiv considers the EU sanction regime on Russia to be one of the basic and most effective methods of deterring Russia since it prevents the expansion of Russian aggression in Ukraine and strategically influences Russia's geopolitical capacity to continue the aggressive

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<sup>48</sup> Victor Hvozd, "Nord Stream 2" Project Prospects and Risks for Inventors," *Borysfen Intel*, September 18, 2018, [http://bintel.com.ua/en/article/blog09\\_18\\_2/](http://bintel.com.ua/en/article/blog09_18_2/).

policy. Kyiv regards Nord Stream 2 as the Kremlin's attempt to use the energy lever of pressure on some European states in order to force them to abandon sanctions policy. It is worth noting that a consensus in the EU is needed to prolong or extend sanction pressure on the Russian Federation. This fact allows Moscow to have considerable hopes for its energy direction since it can potentially allow Russia to influence a country or a number of EU member states, thereby blocking the strategy of sanction pressure on the Russian Federation.<sup>49</sup>

Moreover, another reason for Ukraine to worry is the fact that Russia's main partner in Nord Stream 2 construction is Germany, the political leaders of which continue to insist on a primarily commercial role of the project. This factor represents a serious threat to the national interests of Ukraine because Germany, i.e. chancellor Angela Merkel remains one of the largest protectors of Ukraine in the EU and one of the leaders who supports Ukraine in its attempts to restore the territorial integrity and sovereignty by returning temporarily occupied territories. In the context of an increase of Moscow's energy influence on Berlin, which is an inevitable consequence of the Nord Stream 2 project, there exists a serious threat that Russia will transform its energy influence on Germany into political pressure which in its turn will strengthen the pro-Russian political elites within Germany. Besides, because of the political importance of Germany in the EU, this pressure may change the EU's agenda for economic and financial sanctions against Russia.<sup>50</sup>

Consequently, analysing the threats posed by Nord Stream 2 to the political dimension of Ukraine's national interests, one should realise that in public's perception Russia is Ukraine's enemy, and further Kyiv's assessment of Russia's actions on the international scene is based precisely on this primary ideological foundation. Kyiv is also aware that Nord Stream 2 is not only an attempt to sow discord within the European Union and therefore break the consensus of the European states regarding the need to maintain current sanctions against the Russian Federation but also an effort to directly influence the main political player of the bloc, i.e. Germany.

### *Geopolitics*

The geopolitical aspect of the Nord Stream 2 impact on Ukraine's national interests has much in common with the above-analysed Polish case, in particular the important role of the United States. Washington's attempt to go to the European energy market and strict foreign policy of Presidents Barack Obama and Donald Trump on the Russian Federation, namely the imposition of sanctions, political diplomatic pressure and military strengthening of the countries bordering Russia, have become the factors which make the United

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<sup>49</sup> Hvoz, "Nord Stream 2."

<sup>50</sup> Adomeit, "Germany, the EU, and Russia."

States actively react to the beginning of Russia's Nord Stream 2 project implementation. However, for Ukraine and its interests, the important thing in the confrontation between Washington and Moscow is that US interests regarding Nord Stream 2 do not always coincide with the interests of European states and thus create an additional point of tension in the relations among the Western states. As a result of the Nord Stream 2 implementation and Donald Trump becoming the President of the USA, there have appeared other problematic aspects in relations between the EU and the United States, e.g. the issue of NATO funding, trade disputes, the climate question and a number of others. Kyiv has worried, and not without grounds, that the set of these problems could provoke deterioration in relations within the anti-Russian coalition of the Western countries which de facto was formed after Russia's annexation of Crimea and the military invasion of Donbas.<sup>51</sup>

Ukraine has been even more concerned about the fact that the US authorities have expressed readiness and intention to impose sanctions against European companies participating in the Nord Stream 2 project, causing a negative reaction in the EU and among its member states. Moreover, at the end of 2019, the US reaffirmed its intention to hinder the implementation of the Russian gas transportation project by imposing sanctions on companies involved in Nord Stream 2 and TurkStream pipelines construction.<sup>52</sup> Despite the fact that a significant part of Ukrainian society and politics support Washington's desire to halt the implementation of the Russian gas project, those threats that are created by a potential imposition of US sanctions on the European companies cannot but bother Ukraine. Those threats form the geopolitical aspect that affects the national interests of Ukraine.<sup>53</sup>

Another important geopolitical issue which poses a serious challenge to Ukraine's strategic interests in terms of its probable accession to the EU and NATO is the use of this energy initiative by Moscow as an element of an overall strategy of political fragmentation of the EU. It should be emphasized that this is referred not only to the internal political discussions which this project provokes in Germany but also to Russia's pan-European tactics for interfering in countries' internal affairs. The intervention is made by means of the financial support of pro-Russian forces or forces aimed at destabilizing the EU using cyberattacks and information resources as zones of its own influence and manipulation. These have been noticed in a number of European countries,

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<sup>51</sup> Hallie Detrick, "U.S. Threatens to Sanction German Firms Constructing Russian Gas Pipeline," *Fortune*, January 14, 2019, <http://fortune.com/2019/01/14/nord-stream-2-sanctions/>.

<sup>52</sup> Holly Ellyatt, "US greenlights sanctions on mega Russia-EU gas pipeline, but it's probably too late," *CNBC*, December 18, 2019, <https://www.cnbc.com/2019/12/18/us-sanctions-on-nord-stream-2-pipeline.html>.

<sup>53</sup> Detrik, "U.S."

in particular Italy, France, Great Britain, Germany and others. Thus, the Nord Stream 2 project is another instrument in the Russian arsenal of influence on the internal political situation within the EU and in some member states. Seeing Nord Stream 2 a serious challenge to the unity of the European Union, Ukraine has repeatedly warned the EU about the scenario according to which Russia uses gas as a lever of influence.<sup>54</sup>

It is impossible to analyse the geopolitical influence of Nord Stream 2 in Ukraine without taking into account Russia's concurrent implementation of the TurkStream project which connects Russia with the southern EU member states and uses Turkey as a transit area for a gas pipeline. The beginning of its construction in 2017 and the continuation of the project implementation at the present stage are clearly correlated with the Nord Stream 2 project. Therefore, these two gas pipelines become links in the same energy chain designed to diversify Russia's gas supplies to Europe, thereby reducing dependence on Ukrainian transit, which today remains a priority both for the gas exporter and for European buyers.<sup>55</sup> Due to the fact that the project capacity of the two branches of TurkStream is planned at the level of 31.5 bcm of gas per year<sup>56</sup> and that the total capacity of the two Nord Stream projects should be 110 bcm of gas per year, it is necessary to understand that the Ukrainian gas transportation system (GTS) receives two powerful energy rivals. With an aggregate capacity of almost 142 bcm of gas per year, TurkStream and two Nord Stream projects reach the level of the transmission capacity in the European market as the Ukrainian GTS which at the European border has the capacity of 142.5 bcm of gas per year.<sup>57</sup> Thus, the construction of Nord Stream 2, the concurrent implementation of the TurkStream project and the maximum capacity of Nord Stream, which was achieved in 2018, pose a threat to the geopolitical importance of Ukraine which has been seen as a long-term non-alternative transit route for Russia's gas to the EU states.

The geopolitical danger from the simultaneous implementation of Nord Stream 2 and TurkStream projects has been increased by the fact that in early 2018 the Russian Federation announced the launch of the termination process of the agreement on Russian gas transit through the territory of Ukraine. In such a way, Russia created legal conditions for redirecting large volumes of gas to other transit highways, especially to the south and north directions.<sup>58</sup> The Russian Federation is not able to abandon gas transit through Ukraine

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<sup>54</sup> Henry Ridgwell, "Europe Split on Nord Stream 2 Pipeline as US Warns Against Dependence on Russian Gas," *Voice of America*, March 8, 2018, <https://www.voanews.com/a/europe-nord-stream-2-russian-gas/4285576.html>.

<sup>55</sup> Collins, "Russia's Use."

<sup>56</sup> Sziklai, Kóczy and Csercsik, "The geopolitical impact."

<sup>57</sup> Ridgwell, "Europe Split on Nord Stream 2."

<sup>58</sup> Detrick, "U.S."

completely (which was confirmed by the signing of a new 5-year transit agreement between Ukraine and the Russian Federation at the end of 2019)<sup>59</sup> because approximately 45% of all European gas imports from Russia in 2017 were transported through Ukraine's territory.<sup>60</sup> Moreover, the North-South Gas Corridors are not ready to be used. Therefore, in the near future Ukraine is hardly expected to lose its geopolitical status as a powerful energy player. Nevertheless, under these circumstances, the strategic prospects for the Ukrainian GTS are disappointing.

Thus, it should be emphasized that not only do the geopolitical risks posed by Nord Stream 2 to the interests of Ukraine influence the energy sector, they also affect the strength and solidity of the pro-Ukrainian coalition with the Western countries. Moreover, the risks affect the unity of the EU which is the main partner of Ukraine in reforming and struggling with Russian aggression on the Ukrainian territory. Furthermore, the geopolitical aspect of Nord Stream 2 is amplified by the fact that Moscow concurrently implements another gas transit project that goes around Ukraine, thereby reducing the strategic value of Ukraine for the EU member states.

### *Economy*

Despite the fact that in Ukrainian political and expert discourse Nord Stream 2 is predominantly regarded as a threat at political and geopolitical levels, the economic aspect of the project remains extremely important. In order to assess the economic impact of the Russian energy project on Ukrainian national interests qualitatively, it is necessary to understand the energy importance of Ukraine to Russia and to the importing countries of Russian gas in the EU.

The main element of the strategic value of Ukraine as an energy player is its transit role. In particular, in 2017, 93.5 bcm of the gas for European states were transported by the Ukrainian gas transportation system,<sup>61</sup> while in general in 2017 Russian Gazprom exported 192.2 bcm of gas to Europe. Thus, using its own GTS, Ukraine transited almost half of Russia's gas exports to the EU. This suggests that from the economic point of view Ukraine is the most important transit route for Russian gas to Europe. In terms of value and load capacity, Ukraine outperforms the transit capacity of the Belarusian direction, i.e. the Yamal-Europe pipeline, and the Baltic Nord Stream project.

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<sup>59</sup> "Russia, Ukraine sign gas transit deal ahead of deadline," *DW*, December 31, 2019, <https://www.dw.com/en/russia-ukraine-sign-gas-transit-deal-ahead-of-deadline/a-51841576>.

<sup>60</sup> Detrick, "U.S."

<sup>61</sup> Buck, "Nord Stream 2."

Moreover, since the end of 2015, Ukraine has not been buying natural gas from the Russian Federation, thereby increasing its value as a transit country of Russian gas. This is due to the fact that when Ukraine was buying Russian gas and transiting it to European buyers, Moscow was able to affect the transit role of Ukraine and did not allow Kyiv to use its influence.<sup>62</sup>

Construction of Nord Stream 2, which will have a project capacity of 55 bcm of gas per year and which will become a serious increase of the existing Nord Stream pipeline with an identical capacity, creates an opportunity for Moscow to substantially export the gas through the northern route, thus depriving Ukraine of significant volumes of transited gas. In particular, the Ministry of Finance of Ukraine calculated that the country could lose 2.5-3% of GDP if Nord Stream 2 is to be put into operation.<sup>63</sup>

According to the top management of the oil and gas company Naftogaz of Ukraine, the northern gas pipeline project may cause serious damage in Ukraine. In particular, CEO of Naftogaz Andriy Kobolyev believes that losses can reach \$ 3 billion, thereby creating a high impact on the balance of payments of Ukraine and on the stability of the national currency.<sup>64</sup>

Furthermore, in 2017 the company Naftogaz which transits Russian gas to the European market received a profit of almost \$ 1.3 billion from the transit of gas from Russia.<sup>65</sup> Therefore, even the partial loss of gas volumes transported by the Ukrainian gas transit system can lead to a significant deterioration in the financial situation of Naftogaz and provoke the state monopoly to raise the prices for natural gas for Ukrainian consumers. Thus, Nord Stream 2 has the potential to become a socio-economic threat to Ukraine.

Another important economic aspect is the need to modernize the Ukrainian GTS in conditions when the Russian Federation can potentially redirect significant volumes of transit to the northern and southern directions. Without the necessary loading of the gas transportation system of Ukraine which may result from the reduction of Russian gas transit, Ukraine could face a problem of a technological and infrastructural decline of its own energy power.

Naftogaz and Ukrtransgas propose to implement a 10-year plan to modernize the Ukrainian GTS. In fact, these companies are allowed to partially privatize the system with the help of domestic and foreign investors as an option to amortize the damage to the GTS from changes in the European energy market. Inter alia, such a move is due to Russia's energy plans to bypass Ukraine and lower its strategic energy value for Europe.<sup>66</sup>

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<sup>62</sup> Elliott and Leech, "Nord Stream natural gas."

<sup>63</sup> Elliott and Leech, "Nord Stream natural gas."

<sup>64</sup> Detrick, "U.S."

<sup>65</sup> Giuly, "Nord Stream 2."

<sup>66</sup> Ridgwell, "Europe Split on Nord Stream 2."

Since 2014, attempting to improve the economic attractiveness of the Ukrainian GTS for European partners, Kyiv has been proposing the EU to change the format of Russian gas imports by purchasing gas on the Ukrainian-Russian border. This transfers the transit talk from the EU-Ukraine-Russia triangle into a dialogue between Ukraine and the EU. This approach in the context of Russia's open aggression against Ukraine is politically and economically beneficial for Kyiv because it allows Gazprom to put an end to Russian blackmail. To date, Moscow continues to oppose such an option because it sees it as an attempt to deprive the Kremlin of its influence on Ukraine.<sup>67</sup>

Thus, it should be emphasized that the economic aspect of the influence of Nord Stream 2 on the national interests of Ukraine is significant. In this context, it is important to realize that simultaneous implementation of North-South Gas Corridor project by Russia poses a threat to Ukraine's status of the main transit country of Russian gas to Europe. Moreover, a decrease in transit volumes can provoke serious socio-economic changes in the country which may result in disastrous political transformations in it as well as in permanent socio-political turbulence. Despite a number of Ukraine's proposals for amortization of the damage from Nord Stream 2, Moscow is still able to block Kyiv's attempts to change the format of transit relations with Russia. This situation, if the gas transit contract is rescinded, poses a complex threat to the Ukrainian economy.

## Conclusions

Many European countries, transit states and global energy players consider the implementation of the Nord Stream 2 project by the Russian Federation to be a challenge that needs to be faced. However, not so many countries perceive the gas initiative of the Kremlin as a potential threat to their own national interests. Ukraine and Poland are the two countries for which Gazprom's challenge, i.e. Nord Stream 2, due to its complexity, has become a threat not only to economic security but also to political and geopolitical interests.

At the economic level, Nord Stream 2 is a cause for serious concern of Ukraine and Poland because these countries may lose their transit roles in the European energy market. Being among the main transit countries of Russian gas to the European market, Ukraine and Poland regard the increase of the Northern Gas Corridor as a potential instrument of the Russian Federation to reduce the transit importance of these two states by means of diversifying gas supplies to

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<sup>67</sup> Giuly, "Nord Stream 2."

Europe. This situation threatens the countries with significant financial losses and deterioration of their strategic energy position.

In addition, for Poland, the issue of Nord Stream 2 is particularly acute due to the potential loss of the ability to become a powerful re-exporter of gas in the EU. The emergence of such a powerful competitor as Germany will allow the latter to significantly expand its energy impact on the European market and offer better competitive opportunities for gas buyers than Poland which is importing expensive gas from Norway, the USA and Qatar. Concerning Ukraine, the threat is not so significant since the refusal to import natural gas from Russia and the conditions in gas contracts with Russia, which prohibit Ukraine to re-export Russian gas, actually deprived Ukraine of the opportunity to be a re-exporter of natural gas and become a significant player in the European market gas.

At the political level, the threat of Nord Stream 2 is considered in the context of Russia's aggressive policy on the international scene during the last five years. Thus, Poland and Ukraine perceive Nord Stream 2 as an instrument of Russia's pressure on the EU and as another strategy element of its hybrid warfare.

Warsaw and Kyiv agree that the Russian energy project in the Baltic Sea is an attempt to split the European community and the pro-Ukrainian coalition in the West. Therefore, both countries seek to change the way the Europeans regard Nord Stream 2, i.e. from purely commercial to political perception that best demonstrates the essence of the Russian project.

As for the geopolitical level, it is important to emphasize that the implementation of the Nord Stream 2 project and the simultaneous construction of TurkStream threaten the common ambitions of Ukraine and Poland. The desire to be powerful energy players in the European market, i.e. to transit and potentially re-export (in the case of Poland) gas, conflicts with Russia's plans to bypass the territory of Poland and Ukraine and use other gas pipelines.

In this context, both countries count on the United States because Kyiv and Warsaw see it not only as a state that is capable of influencing and potentially blocking the Nord Stream 2 project but also as an energy player that can create an alternative to the Russian gas pipeline. In the case of Ukraine, one should also regard Ukraine's attempt to prevent Moscow from using the Nord Stream 2 project as a way to create an artificial conflict between the United States and the EU states, in particular Germany. Thus, the global significance of the Nord Stream 2 project is so important at the economic and political levels and the number of actors involved in the discussion about the suitability and security of the project is so considerable that the geopolitical aspect of the impact of the gas initiative on the interests of Poland and Ukraine is critically important.

Ukraine and Poland are aware of the level of threats and challenges presented by Nord Stream 2 to their interests. Therefore, these two countries



need to develop tactics and strategies to counteract the implementation of the project and to concurrently adapt their own energy systems to the new configuration of the European energy market. In this context, it is necessary to identify potential tactical measures which can be implemented by Poland and Ukraine to prevent the Nord Stream 2 launch:

- to use legal and regulatory mechanisms of the EU, in particular the Third Energy Package, as a means of legal influence on the process of the Nord Stream 2 construction;
- to strengthen diplomatic relations between Ukraine, Poland and the USA which should be aimed at encouraging more active policy of Washington to stop the Russian energy project;
- to continue conducting the information campaign among the EU states in order to persuade the public that the project is deeply politicized and poses significant risks to the security and stability of European democracies;
- to offer European partners alternative gas supply plans that could attract investors and potentially force them to deprioritize Nord Stream 2.

At the strategic level, Ukraine and Poland should prepare for new conditions of the international energy market which can appear after the launch of Nord Stream 2. In this context, both countries should adopt a number of measures that could undermine the damage caused by the northern gas pipeline to their interests, namely:

- to modernise the old and construct new energy infrastructure that would allow diversification of gas supplies to Poland and Ukraine and potentially use it to get into larger markets;
- to develop own natural gas deposits and reorient the consumer market to domestic gas which will allow these countries to become independent of Russia's influence;
- to search for new partners among the world's largest energy players as an opportunity to receive natural gas by alternative means and as a way to influence the Russian Federation and potentially weaken it in the European energy market.

Thus, the common threats and challenges that Nord Stream 2 poses to the interests of Poland and Ukraine logically require a joint position of these states regarding the project. Not only do they need to coordinate efforts to block the project implementation but also to further develop the region's energy security which is based on the principle of reducing the EU's dependence on Russia's gas lobby.