

THE BIDEN ADMINISTRATION'S FAILED POLICY TO STOP THE NORD STREAM 2 PIPELINE



MYTH

VS

FACT

UNITED STATES SENATE COMMITTEE ON
FOREIGN
RELATIONS

X MYTH: Nord Stream 2 (NS2) is a purely commercial energy project.

✓ FACT: NS2 is a Russian malign influence project that would allow the Kremlin to circumvent Ukraine to deliver gas directly to Western Europe. If operationalized, the pipeline would cost Ukraine approx. \$3 billion in annual transit fees, and remove a critical deterrent to the Kremlin's ongoing aggression against Ukraine. The pipeline would also endanger other transatlantic allies and partners by allowing Russia to manipulate prices and supply to pressure its customers to make political concessions. These Russian mega infrastructure projects are often vehicles for corruption; this is no exception.

X MYTH: The Biden Admin.'s "deal" with Germany on NS2 mitigates the risk the pipeline would pose to Ukraine and other U.S. allies and partners in Central and Eastern Europe.

✓ FACT: The deal fails to address the serious security consequences of NS2 and does not include a single concrete consequence for the inevitable Russian weaponization of the pipeline. Germany pledged to support renewable energy in Ukraine, but its realization is years away and will do nothing to ensure continued gas transit through Ukraine or incentivize crucial energy sector reforms.

✓ FACT: The deal mistakenly assumes the Kremlin will not only honor its current gas transit agreement with Ukraine through 2024, but also abandon its history of using energy as a geopolitical weapon. But that ignores lessons of recent history as Russia has cut off gas transit to Europe numerous times in the past, including in 2006, 2009, 2015, and 2018. Also, a few weeks after critical U.S. sanctions on NS2 were waived, Putin warned Ukraine that it would need to show "good will" for gas transit to continue. More recently, Russia's ambassador to Germany clarified, "the U.S. and Germany did not make an 'agreement' on NS2...They released a joint statement, which is not a legally binding document for the signatories. And it certainly carries no obligations for Russia."

X MYTH: When negotiating the agreement, the Biden Admin. and Germany consulted closely with Ukraine, Poland, and other European countries with serious economic and security concerns.

✓ FACT: Those who stand to suffer the most from an operational pipeline, such as Ukraine, Poland, and other Central and Eastern European allies did not participate in the negotiations. Instead, the Biden Admin. negotiated directly with Germany, and pressured Poland and Ukraine to support the deal or keep silent. Within days of the deal's announcement, the foreign ministers of Poland and Ukraine issued a joint statement saying it "cannot be considered sufficient to effectively limit the threats caused by NS2."

MYTH

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✗ **MYTH:** By the time the Biden Admin. took office, NS2 was over 90 percent built and its completion was a "fait accompli" that U.S. sanctions could not stop.

✓ **FACT:** Mandatory congressional sanctions enacted in December 2019 stopped all deep-sea pipe-laying. This construction resumed on January 24, 2021 – four days after President Biden took office. If the pipeline is operationalized, it will be as a result of the Biden Admin.'s failed policy of comprehensive sanctions enforcement and sanctions waivers.

✗ **MYTH:** The Biden Admin. is using mandatory Congressional sanctions as intended, and its decision this May to sanction 19 entities tied to NS2 demonstrates its strong opposition to the pipeline.

✓ **FACT:** Of the 19 entities and vessels sanctioned, two had already been designated by the Trump Admin.: the Russian pipe-laying ship "Fortuna" and its owner KVT-RUS. While the additional 17 designations were a necessary step required by law, the Biden Admin. waived sanctions on the most critical entity involved in the project, Nord Stream 2 AG, as well as its CEO and corporate officers. Nord Stream 2 AG is not only building the pipeline, but would also manage its operations. Therefore, sanctioning it and any successor entity would seriously complicate the Kremlin's efforts to ever run gas through NS2.

✓ **FACT:** The Biden Admin. continues to refuse to impose mandatory sanctions on Nord Stream 2 AG for doing business with previously sanctioned entities, as is required by section 228 of the Countering America's Adversaries Through Sanctions Act (CAATSA).

✓ **FACT:** The Biden Admin. also has failed to sanction the insurance and certification companies involved in the project despite being required by law. Members from both sides of the aisle have strongly objected to the administration's failure to use these mandatory sanction authorities.

✗ **MYTH:** Waiving U.S. sanctions on Nord Stream 2 AG and its CEO was necessary to avoid a rupture in U.S.-German relations and close transatlantic cooperation with other European allies and partners.

✓ **FACT:** The Biden Admin.'s decision to allow NS2's completion has undermined transatlantic ties and created divisions among our European allies and partners. Senior officials from Ukraine, Poland, the Baltic states, and other European countries have all come out against the deal with Germany. Even in Germany, opposition to the pipeline is steadily growing. The European Parliament too has voted at least 3 times to stop the project.

✓ **FACT:** Nord Stream 2 AG and its CEO are not "European" entities whose sanctioning would undermine the transatlantic relationship. Despite being publicly described by National Security Advisor Jake Sullivan as a "Swiss company," Nord Stream 2 AG is a wholly owned subsidiary of Kremlin-controlled Gazprom. Likewise, the Biden Admin.'s sanctions waiver described Matthias Warning simply as a German national, when he is in fact a former East German intelligence officer and well-known Putin crony with a long history of advancing Russian malign influence projects. CNN fact checkers labeled these claims "misleading."