

## Is Russia Limiting Gas Flows to Europe? Five Gas Pipelines out of Service

The surprising answer is: no.

By Swiss Policy Research

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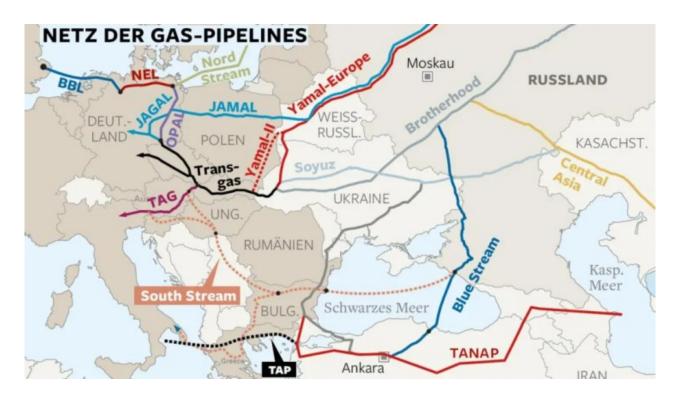
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Many people in Europe and beyond seem to believe that Russia, in response to Western sanctions, has been limiting gas flows to Europe. Yet this is not the case, as the following analysis shows.

There are currently five major pipelines that supply – or could supply – Russian gas to Europe: Nord Stream I and Nord Stream II through the Baltic Sea to Germany; the Jamal pipeline through Poland to Germany; the Soyuz and Brotherhood pipelines through Ukraine; and the TurkStream pipeline through the Black Sea and Turkey to Southeast and Central Europe (see the map above).

All of these pipelines are currently out of service or run at limited capacity – though not because of Russian retaliation, but because of Western sanctions or political decisions:

- The Jamal pipeline is closed because Poland <u>has terminated</u> the operational agreement with Russia (after the Russian invasion of Ukraine and to become independent of Russian gas).
- The Soyuz pipeline which accounts for about one third of the gas delivered through Ukraine has been <u>closed by Ukraine</u> after LPR forces took control of the gas compressor station.
- Nord Stream I runs at limited capacity because Canadian and EU sanctions <u>have</u> <u>prevented</u> the maintenance and return of several Siemens gas compressor turbines.
- Nord Stream II was completed in late 2021 but has never entered service due to US <u>political pressure</u> on Germany; Germany <u>canceled</u> certification of the pipeline on February 22.
- TurkStream which in 2014 <u>replaced</u> the South Stream project remains operational, but because of EU sanctions, Bulgaria <u>has denied</u> euro payment to the Russian Gazprom Bank. In contrast, Hungary has defied EU sanctions and



Source: Swiss Policy Research

Another widespread misconception is that Russia demanded "payment in rubles" to retaliate against Western sanctions. Yet this is not the case, either. Instead, after Western sanctions against the Russian central bank <u>froze about \$300 billion</u> in Russian foreign exchange reserves, Russia decided that euro and dollar payments for gas have to be made to an account at Russian Gazprom Bank and will then be <u>converted into rubles</u> by the Russian central bank (to avoid seizure by the US/EU).

Why is Russia not (yet) actively limiting or stopping gas flows to Europe? Simply because Russia is interested in earning revenue from gas exports, being seen as a reliable supplier, and avoiding further escalation of the Ukraine conflict and direct confrontation with NATO countries. However, Russia did put pressure on Kazakhstan to prevent Kazakh oil exports via Turkey instead of Russia.

Why then is Europe jeopardizing its own gas supply through sanctions against Russia? The initial goal likely was to cripple Russian export revenues and the Russian economy. Yet this has largely failed as international oil and gas prices have risen to record highs. Thus, Russian oil and gas revenue has actually <u>increased</u> since the outbreak of the Ukraine war (though <u>tech sanctions</u> are still biting).

However, the Western response can only really be understood from a US perspective, not from a European perspective. From a US perspective, cutting off Russian gas flows to Europe is a means to isolating Russia, pressuring Europe into supporting the <u>US proxy war</u> in Ukraine, and forcing Europe to switch to American or Arab <u>LNG gas supplies</u>. The most obvious example of this strategy is the Nord Stream II pipeline, which the US <u>blocked</u> despite a German-Russian agreement.

Moreover, the US strategy in Ukraine has to be seen in the context of the broader US

strategy in Eurasia. Back in June, former US Secretary of State and former CIA director, Mike Pompeo, explained in a speech at the Hudson Institute: "By aiding Ukraine, we undermined the creation of a Russian-Chinese axis bent on exerting military and economic hegemony in Europe, in Asia and in the Middle East. () Indeed, by empowering Ukraine, we demonstrate to China the cost of invading Taiwan. () We must prevent the formation of a Pan-Eurasian colossus incorporating Russia, but led by China."

Nevertheless, most European countries – including Germany – will <u>still reach</u> their gas storage target levels for the winter season and may be able to partially replace reduced Russian gas supplies with supplies from <u>other countries</u>, though at significantly higher market prices. This has already led to some bizarre situations, such as Germany's largest fertilizer producer having to <u>halt production</u>, while German fertilizer shortfalls are being replaced by imports from – Russia.

## Update: Still no Russian energy war

On September 5, the British *Financial Times* published a craftily worded <u>article</u> that has received worldwide attention: "Russia halts gas supplies to Europe until western sanctions lifted" (later <u>changed to</u> "Russia switches off Europe's main gas pipeline until sanctions are lifted.").

The article once again suggested that Russia was deliberately "halting gas supplies" to retaliate against Western sanctions. In reality, the Russian government stated that they "remain committed to their obligations and contracts", but that they cannot operate Nord Stream I as long as the technical equipment of that pipeline remains sanctioned.

In particular, the six Nord Stream I gas turbines, maintained by a British division of German energy company Siemens, remain sanctioned <u>under British law</u> – four of them are still <u>in Canada</u>, one has been transferred to Germany instead of Russia, and the last one is affected by a minor oil leak that Siemens is <u>not allowed</u> to repair due to British and EU sanctions.

The *Financial Times* later <u>added a quote</u> from the energy spokesman of the European Commission, according to whom Russia was "unwilling to deliver gas to Europe through other pipelines". Yet as seen above, those "other pipelines" have been closed by Poland, Ukraine, and Germany.

That Russia is still not waging an "energy war" against Europe can be seen by the following facts:

- 1. Russia continues to deliver gas through the <u>Brotherhood pipeline</u> to Ukraine (!) and to Europe as well as through the TurkStream pipeline to parts of southeastern Europe;
- 2. Russia is ready to supply gas through the <u>Nord Stream II pipeline</u>, whose turbines are maintained by Russia itself, as soon as Germany (and the US) would open that pipeline;
- 3. Russia continues to deliver oil via Ukraine to Europe through the <u>Druzhba pipeline</u>, even though Ukraine had temporarily <u>closed</u> this pipeline in August. However, an EU embargo against Russian oil imports was agreed upon in June and will come into effect in <u>January 2023</u>.

The British BBC was more accurate, this time, when they titled their article: "Russia blames

sanctions for gas pipeline shutdown". Indeed, the decision to decouple Europe from Russian energy supplies remains an entirely Western geostrategic decision, yet Western leaders and Western media, understandably, would like to blame Russia for that decision (and the consequences).

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