

**Speech by the President of the CGS Strategy XXI
for the XII US-Ukraine Security Dialogue
March 4, 2021**

Dear Ladies & Gentlemen,

The cooperation with the USA in energy and energy security fields was and will remain particularly important for Ukraine.

Thanks to US-Ukrainian cooperation in the nuclear power sector, Ukrainian nuclear power plants have significantly decreased dependence on TVEL, a former monopoly supplier of nuclear fuel from Russia. It should be noted in this respect that Ukraine is ahead of many countries in Central and Eastern Europe – EU Member States, which remain dependent on nuclear fuel supplies from Russia. However, there is another problem in the nuclear power sector. And not only for Ukraine, but for the region of Eastern Europe as a whole. This is Belarusian NPP. Preventing operation of the Belarusian NPP, built by Rosatom without taking into account international conventions, is becoming very important issue for Ukraine, Lithuania and Poland. This nuclear power plant poses risks to the countries of the region and will become a springboard for Russia's energy expansion. Lithuania has already appealed in 2020 to the former US Administration, asking for support of efforts, aimed to stop the commissioning of this NPP.

Ukraine has not forgotten how important the efforts of the US Vice President Joe Biden were by accelerating the launch of additional reverse gas supplies to Ukraine from the EU in the critical period of 2014-2015, when Russia waged a gas blockade of Ukraine during the armed invasion into Donbass.

Experimental deliveries of liquefied natural gas from the USA to Ukraine proved to be successful from a technical and organizational point of view. Initially, in 2019 it was done through the Polish LNG terminal in the Baltic, and in 2020 through the Greek LNG terminal in the Aegean Sea and the reverse flow through the Trans-Balkan gas pipeline.

The US efforts to promote de-oligarchization of the Ukrainian economy, energy and finance spheres are of utmost importance, in particular, we are talking about Kolomoisky and Firtash, becoming subjects of special investigations in the United States.

The US Congress's sanctions against the anti-Ukrainian, anti-Polish and anti-European Nord Stream-2 gas pipeline project in December 2019 came exactly at the time, they were mostly needed. They helped signing a new 5-year agreement between Gazprom and Naftogaz, while potentially deterring Russia from accelerating further aggression.

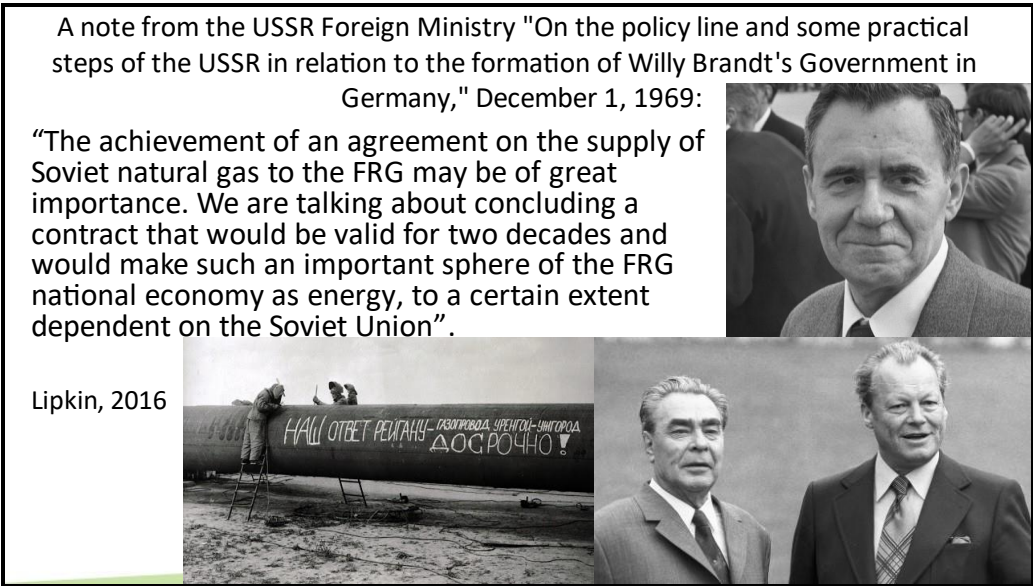
Let me talk in more details on this project, which the former Vice President and the current President of the United States calls a “bad deal”. It is not just that the launch of NS2 will cause economic damage to Ukraine. **The fact is that the launch of the project will symbolize the victory of Putin's kleptocracy and Russian corruption over Western democracy, the victory of Russia and Germany over the United States, the dominance of the Russian-German alliance in Europe, the break of transatlantic unity.**

Russia's energy relations with Europe and, first of all, with Germany, as its greatest lobbyist, are a kind of a tracing paper from the Soviet Cold War era methods.

A note from the USSR Foreign Ministry "On the policy line and some practical steps of the USSR in relation to the formation of Willy Brandt's Government in Germany," December 1, 1969:

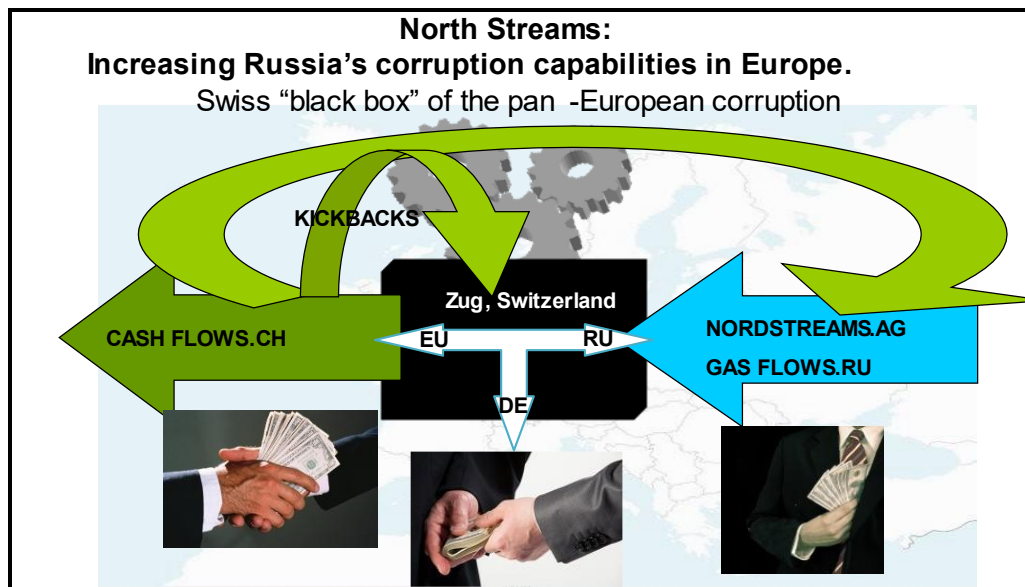
"The achievement of an agreement on the supply of Soviet natural gas to the FRG may be of great importance. We are talking about concluding a contract that would be valid for two decades and would make such an important sphere of the FRG national economy as energy, to a certain extent dependent on the Soviet Union".

Lipkin, 2016

The collage consists of three black and white images. The top right image is a close-up portrait of a man in a suit, looking slightly to the side. The bottom left image shows a large gas pipeline with graffiti in Cyrillic and Greek characters. The bottom right image shows two men in suits standing side-by-side, one slightly behind the other.

It is worth to mention a fragment of a secret report of the Soviet Ministry of Foreign Affairs "On the political line and some practical steps of the USSR with regard to Willy Brandt government coming to power in Germany", which was submitted to the Central Committee of the Communist Party of the Soviet Union on December 1, 1969: **"We consider as important to talk about the conclusion of a contract that would be valid for two decades and would make to some extent dependent on the Soviet Union such an important area of the German economy as energy sector"**. Retrospectively, after more than 50 years, it can be stated that the task is not only fulfilled, but even surpassed. Not only the energy sector of already united Germany has become dependent, but also its political class, most of which, like drug addicts, do not recognize such dependence.

If Nord Stream 2 succeeds, gas pipeline will bring dividends to the Kremlin kleptocracy and its German partners. According to Russian gas industry sources the shareholder agreement between the project participants stipulates that the Swiss NS2 operator will receive payments for gas transportation services from the moment of its commissioning, regardless of whether there will be gas in it at all. The number of payments for services will correspond to the maximum design capacity of the gas pipeline - 55 billion cubic meters per year. This explains why Gazprom wants to complete at least one line and to make a **formal** commissioning ceremony. From now on, more than \$1.4 bln each year will flow to the Swiss company of Gazprom for the next 50 years. The biggest part of this money will go through the mechanism of paying dividends to "the right people" in Europe. This is already the case for the existing Nord Stream project. This is the current Putin's "corrupting mechanism" in Western Europe. Therefore, no one should be surprised, why in Germany, Austria, France, Italy there are so many Putin-Verstehers...



Nicholas Burns expressed the idea that Washington should temporarily freeze sanctions against Nord Stream 2, and Europe should stop the construction of the pipeline. It might be seen as an acceptable idea. It provides for an option to freeze the project due to the "no construction, no sanctions" approach, at least until the elections in Germany in the autumn. But the pipeline is not being built by the European Union, but by Russia through the Swiss company Gazprom Nord Stream-2 AG. And the Russians immediately resumed the construction of the pipeline, thus stimulating a new wave of transatlantic controversy. This is exactly what the Kremlin needs.

The idea of creating a mechanism that would ensure further transit through Ukraine in case of the NS2 completion is **unacceptable** too. The question is, who and how will determine when to stop Nord Stream 2? Which legal and contractual mechanisms can be applied, between whom and who will tighten the gas valve on NS2 pipeline? This idea will not create a safeguard tool. Russia will bypass such an agreement in a very simple way. "**Suddenly**" there will be an accident somewhere in the Russian hinterland on the route of the gas pipeline "Urengoy - Pomary - Uzhgorod", after which "Gazprom" will make a statement about the impossibility to use it further and start decommissioning procedure. In such circumstances, Nord Stream 2 becomes the only possible alternative to "**ensure**" European energy security.

By the way, a similar mechanism has already been used twice in Russia. The first time was in 2006 in the event of an interruption of oil supplies to Lithuania through the Druzhba 1 pipeline. "**Suddenly**" there was an accident with an explosion on the section of the oil pipeline near the Belarusian border. Oil supply was stopped immediately. Further "**investigation**" and "**technical expertise**" concluded that the pipeline was decrepit and could not be repaired, and that oil could not be supplied to Lithuania. In 2009, the situation was similar with the gas transmission on the Central Asia-Center gas pipeline. As soon as Gazprom became unprofitable to import gas from Turkmenistan, even though they contracted all exports for the next 25 years, a "**sudden**" explosion occurred. Despite the fact that the functionality of the gas pipeline was restored within two weeks, the Russians refused to take from this direction, arguing that the state of the pipeline as a whole was in disrepair.

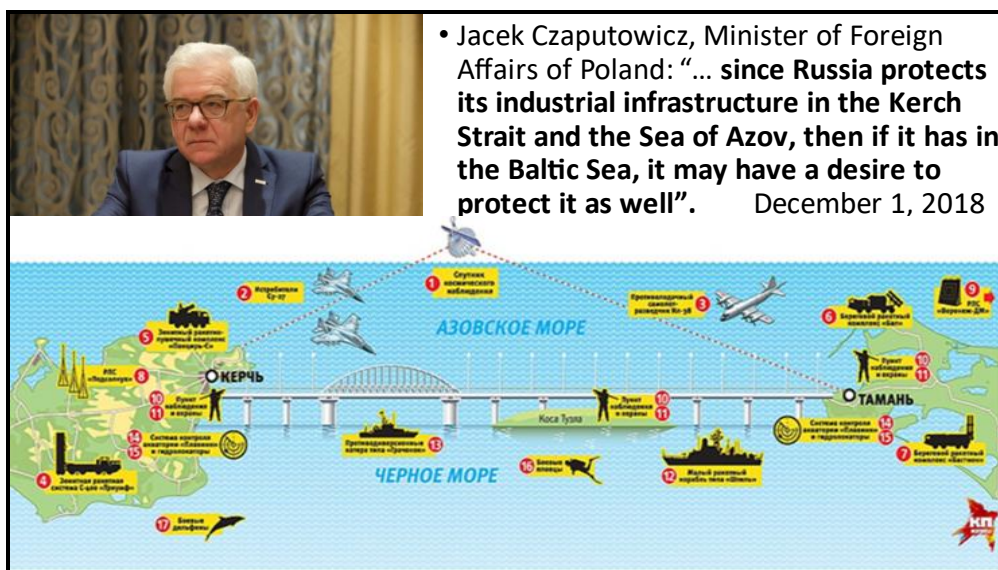
Unfortunately, the EU is powerless to stop this project. The European Commission only states that the NS2 is not supported by the EU, is not a project of common interest within the EU, and is not funded from the budget or EU funds. However, the EU cannot stop this commercial project, as it would be discriminatory.

The European Commission's stance is that the NS2 gas pipeline should operate in accordance with international law and EU energy legislation. Germany has implemented the amended European Gas Directive into national law, so all responsibility for its application lies with it, and specifically with the German network regulator BundesNetzAgentur

The European Commission considers the American sanctions against the NS2 as the unacceptable actions of the third party that undermine the position of European business. Thus, it can be concluded that the European Commission has almost "**washed its hands**" in the case of the NS2.

It is worth attention that the European Commission does not raise the issue of the NS2's negative impact for Poland as the EU member state and Ukraine as a country with an Association Agreement. The European Commission does not say a word to Russia about the need to ensure freedom of transit for gas from Central Asia to Ukraine and further to Europe.

Europe does not take into account the fact that Russia will use the emergence of NS2 to increase its military presence in the Baltic Sea. That is, there will be a kind of "**legal militarization**" of the Baltic, because according to the Kremlin's logic, the new two lines of the NS2 and the existing two lines of the NS1 need enhanced protection against hostile actions by third countries. This is exactly what Russia is doing in the Black Sea, justifying the build-up of its forces by **fairy-tale** threat posed by the US and NATO to the Blue Stream, TurkStream, bridge, power cables and gas interconnector across the Kerch Strait to the occupied Crimea.



• Jacek Czaputowicz, Minister of Foreign Affairs of Poland: "... since Russia protects its industrial infrastructure in the Kerch Strait and the Sea of Azov, then if it has in the Baltic Sea, it may have a desire to protect it as well". December 1, 2018

The map below illustrates the Kerch Strait and the Sea of Azov, showing the Crimean Peninsula and the Taman Peninsula. It highlights various infrastructure projects and military installations, numbered 1 through 17. Key locations include Kerch and Tamah. The map also shows the Black Sea (ЧЕРНОЕ МОРЕ) and the Sea of Azov (АЗОВСКОЕ МОРЕ).

What should we do?

- Through joint efforts of the USA, Poland, Ukraine, the Baltic States and our partners in Germany, to stop the Nord Stream 2.
- Make an effort to block the Belarusian nuclear power plant constructed in violation with ESPOO Convention and does not correspond to nuclear safety regulations.
- Complex asymmetric approach could be used by the USA. If Russia continues to support Gazprom in construction of Nord Stream 2 and Belarusian NPP building and operation, it will mean that other Russian state companies: “Gazprom нефт” as fuel supplier for Gazprom, and Rosatom, as contractors for problematic Belarusian nuclear power plant construction, could be placed under sanctions.



Here are only some positions for Ukraine – US agenda for cooperation that are relevant and need an immediate reaction. But I still don't have an answer to the question whether the Biden administration has this political will. Probably our American colleagues know this...