

NORD STREAM 2

Putting All Eggs in the German Basket

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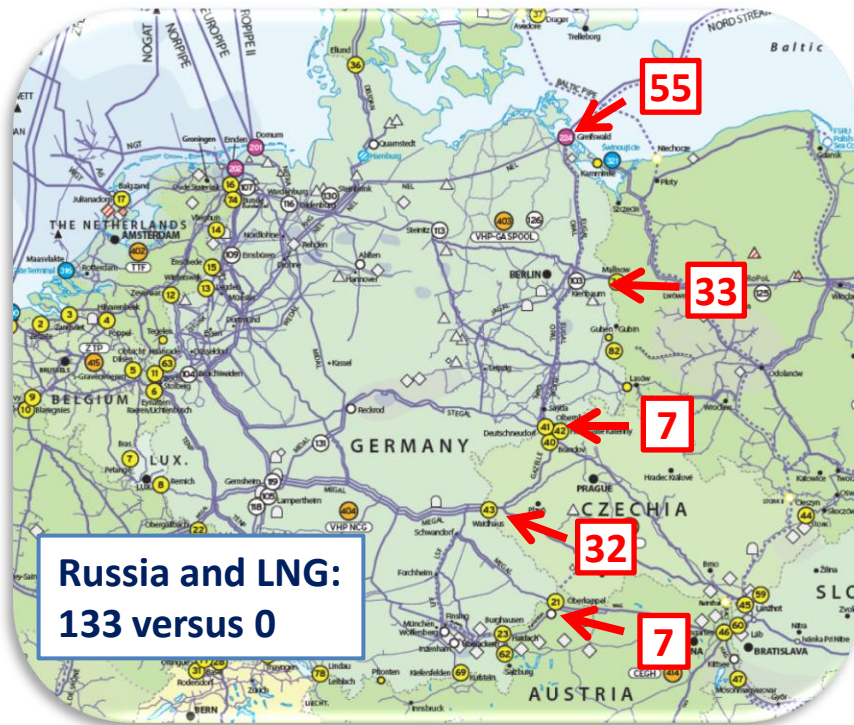


Putin: NS2 Is About Competition

- *“The recent package of sanctions adopted by the US Congress is openly aimed at ousting Russia from European energy markets and compelling Europe to buy more expensive US-produced LNG.” – V.Putin, 19-Oct-2017*
<http://valdaiclub.com/events/posts/articles/putin-meets-with-members-of-the-valdai-club/>
- Some other politicians also talk about “unfair advantage” of American LNG



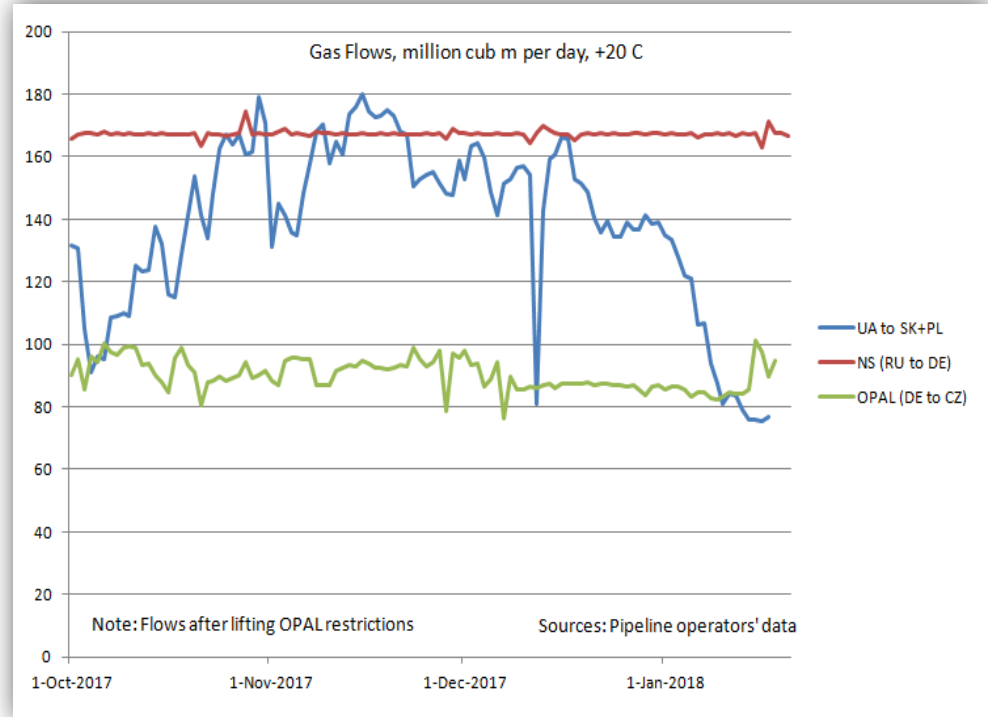
Facts About Gas-to-Gas Competition



- Current capacity of pipelines delivering Russian gas to the German border is above **133 bcm/y** (at +20°C, ENTSG)
<https://www.entsoe.eu/maps/transmission-capacity-map>
 - NS2 would raise it to **188 bcm/y**
 - In 2017, Germany imported 53.4 bcm from Russia and the whole EU – less than 163 bcm
- There are no LNG terminals in Germany
 - Total LNG capacity of NW Continental Europe is 61 bcm/y (at +20°C, ENTSG)
- NS2 is more about moving gas transit revenue from Slovakia to Germany (“fair advantage”)

Ukrainian Transit Pipelines Meet Seasonal and Short Term Fluctuations of Demand

- Consumers use more gas in winter and on weekdays, less gas in summer and on weekends
- The pipeline route via Ukraine provides flexible and reliable supply in accordance with demand fluctuations
- Nord Stream is designed to ship roughly equal daily volumes through the year (base load gas)



NS2 Can Create a Shortage of Winter Gas in Central Europe



Central Europe depends on winter gas supplies
from Russia via Ukraine

- NS2 and EUGAL are unable to meet winter peak demand in Central Europe, including Southern Germany
- Gazprom is aware of the problem and suggests winter supplies of LNG
(<https://1prime.ru/energy/20170113/827034305.html>)
 - There is no pipeline capacity to deliver peak load gas from LNG terminals to Central Europe
- Closure of biggest UK gas storage and drop of gas production in Holland increases demand for peak load gas in NW Europe
 - Bad timing for base load gas of NS2
- Drop of Ukrainian transit would mean additional costs of storage gas in Europe
 - Gazprom wants to get the same price for gas sold on less flexible terms
- EC needs a special study on winter daily supplies

NS2 Does Not Guarantee Secure Supply

- *“If somebody thinks that they can resolve the problems of Ukrainian energy supply through reverse supplies, they are deeply mistaken. For two reasons: first, if we see that somebody is violating our contracts for gas supplies, we will reduce the volume, and the physical volume on the European market will simply be insufficient, there will simply not be enough.” – V. Putin, 6-June-2014*
(<http://en.kremlin.ru/events/president/news/45869>)
 - German and other EU firms didn’t listen Mr. Putin
 - In the winter of 2014-2015, he ordered Gazprom to reduce daily gas exports through Ukraine and Nord Stream by 50%
- With NS2, the supply of Russian gas to the EU would be dangerously dependent on bilateral relations of Moscow and Berlin
 - Think about another “wrong” action of a German firm or a “wrong” decision of a local German judge
 - There is no doubt Russia would use gas tap again



NS2 and Risk of Flow Interruption



A remotely operated vehicle (ROV) moves along the length of the pipeline, equipped with digital cameras and specific sensors. Photo: Nord Stream AG

Note: There could be other than friendly ROVs in the Baltic Sea.

- In general, an additional gas pipeline increases the security of supply
- However, NS2 is not an additional pipeline – it is designed to replace the existing transit pipelines of Ukraine
- Note that it takes 1-3 days to restore gas flow after a land pipeline failure
- It can take several months to repair Nord Stream

It would be better to know
how to solve or avoid the
problem of winter gas
supply before it is created
by Nord Stream 2

Thank you

