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## Nord Stream 2 Proves To Be Geo-Political Disaster

*Forbes.com*

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April 7, 2021

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The geo-political folly that is the Nord Stream 2 pipeline – designed to convey natural gas directly from Russia to Germany in the Baltic Sea – came into sharper focus this week. As work on the highly controversial pipeline continued, Russian troops began large scale military maneuvers close to the border with neighboring Ukraine.

Nord Stream 2 is a natural gas pipeline that stretches over 1,200 kilometers from near St. Petersburg in Russia to the Port of Greifswald in Germany. Like its predecessor, Nord Stream 1, Nord Stream 2 has a capacity of approximately 55 billion cubic meters of natural gas per year. Germany currently is the largest importer of natural gas in the world, importing over 94% of its natural gas supply. While Germany does not provide these statistics, it is believed that Russia currently provides approximately 40% of Germany's natural gas imports. Should Nord Stream 2 be completed, that figure certainly will rise.

As Russia tries to complete Nord Stream 2, it is making increasing military noises on its Ukrainian frontier. Through irregular forces, Russia already controls a substantial part of eastern Ukraine. This followed a 2014 misadventure when Russia invaded and annexed the Crimea, which had been part of Ukraine since 1954. Russia's military movements have, in turn, led to even more recent announcement that Ukraine and British NATO troops will also be conducting joint military in the vicinity of the Russian exercises.

Absent the presence of NATO troops, there might even be heightened fears that Russia could attempt another large scale invasion of Ukraine, perhaps even sparking World War III. In any event, it cannot be a good thing for Russia, Ukraine, and members of NATO to be conducting military exercises at the same time and so close to each other – especially considering Russia's prior lack of restraint in annexing the Crimea by force back in 2014.

In the meantime, in the face of Russia's massive buildup, the richest and most powerful EU country, Germany – ordinarily a strong NATO ally – has managed to tactically box itself in due to its partnership with Russia over the Nord Stream 2 pipeline. As a result, Germany is in no position to strongly resist the Russian military move at all, including militarily. Having refused to listen to the many detractors, who for years have tried to warn Germany to avoid tying itself to Russia ever more closely for its natural gas supply, Germany now faces a geopolitical crisis entirely of its own making. One would be tempted to tell Germany "We told you so," but for the fact the stakes are so high and the position that Germany has placed itself into was so

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predictable.

Indeed, this political and military quandary is exactly what both the Trump and Biden administrations have been warning Germany about for years. Since embarking on its “Energiewende” policy in 2010, Germany has prematurely taken offline most of its nuclear reactors, and it has refused to permit new energy projects involving anything other than so-called “renewables.” Currently, there are only six German nuclear reactors online, and they are all scheduled to be phased out by 2022. Meanwhile, as others have predicted, Germany has now felt it necessary to supply much of its energy needs through construction of the Nord Stream 2 pipeline, which it continues to tout as only a short-term solution.

Unfortunately for Germany, this program has only increased its dependence on imported natural gas, and “renewables” have not been able to make up for the power lost by Germany’s program to date. Germany also has energy prices that are among the highest in the world, averaging over 30 cents per kilowatt hour. This compares to 13 cents per kilowatt hour in the United States.

Faced with that harsh economic reality, Germany jumped at the chance to build a direct pipeline in the Baltic Sea with Russian cooperation, thereby bypassing Ukraine, Poland, and the Baltic States. Germany’s thinking was that this partnership with Russia would lower its own energy costs, but would also deny those countries the transshipment fees that have long made up a substantial part of their economies (which is 3% of Ukraine’s economy alone). Both Germany and Russia believed that this plan would increase the demand for Russian natural gas, which otherwise would have limited access to many global markets and is typically drilled with few environmental safeguards in the Arctic.

Now Russia has upped the ante. By moving large amounts of troops and military equipment towards Ukraine, Russia either is testing NATO and the West as a whole, or is indeed preparing for another invasion. Either way, Germany loses. If it joins with NATO in taking a strong stand against Vladimir Putin, it magnifies the danger to its own economy that Nord Stream 2 represents by making German energy increasingly dependent on Russian supply. If it breaks with NATO and appeases Putin, it cleaves a hole into the NATO structure while making itself politically subservient to the Kremlin.

While Germany and the West are phasing out fossil fuels without any real alternative at this point, Russia (along with China) is taking a more clear-eyed view toward energy. The result of Western idealism versus Russian (and Chinese) realism is about to be played out, first in Europe and then perhaps in the South China Sea.

In the long run, little good will come out of the Nord Stream 2 project. We can only hope that in the shorter run, at the border with Ukraine, wiser and cooler heads will prevail, that Russian military moves are only a test rather than a prelude to actual invasion, and that the West will appreciate that wishful thinking in terms of energy, divorced from realism, is likely a prelude to disaster.