COSMOS
Navigate the Compliance Universe

Report on Supply Chain Compliance Volume 2, Number 9. May 16, 2019

International interest in Europe’s petroleum market and political moves against Russia threaten to clog the pipeline

By Sascha Matuszak

A pipeline linking Russian petrol with European markets and making landfall in Germany is at the heart of a complex geopolitical struggle pitting the United States and several European countries against Germany, Russia and a consortium of companies and nations over the future of Europe’s energy supply chain.

The pipeline, Nord Stream 2, runs approximately 760 miles under the Baltic Sea and is expected to double Russia’s petrol export capacity to 110 billion cubic meters. It has received permits from all but one of the countries along the route; Denmark has requested that Gazprom and its Western partners in the project—France’s ENGIE, Austria’s OMV, Anglo-Dutch firm Royal Dutch Shell plc, Germany’s Uniper SE and Wintershall DEA—provide an alternate route. Gazprom has submitted three proposals to Danish authorities and is appealing the delay in court. If Denmark approves the project, it could be operational by the end of the year; if not, then wrangling over the Danish section of the route could take years.

Despite this hurdle, the project is forcing the United States and Germany into acute conflict. The U.S. has long opposed the project over worries that Russia would use its petrol as political leverage over the European Union, but the U.S. also wants to expand its presence in the European petrol market through deliveries of super-cooled liquefied natural gas (LNG) from the recent fracking boom.