

Appendix 2

STATEMENT

July 2007

Impartial Environmental Impact Assessment assured for Baltic Sea pipeline

Background

A number of politicians and organisations, in particular from countries that are critical of the Nord Stream pipeline across the Baltic Sea, have called for independent studies of the project's environmental impact.

Lithuanian Prime Minister Gediminas Kirkilas, in an interview with Reuters news agency on 2 April 2007, called on the EU Commission to undertake such a study. He also raised the subject during a meeting with Commission President José Manuel Barroso.

In a joint declaration dated 1 December 2006, the Chairpersons of the Foreign Affairs Committees of the national parliaments of Estonia, Finland, Iceland, Latvia, Lithuania, Norway, Poland and Sweden called on their governments to ensure an independent Environmental Impact Assessment be carried out before the pipeline is built.

Last year, a petition on behalf of Poland's Information and Environmental Protection Agency (Agencja Informacji i Ochrony Środowiska) was presented to the European Parliament asking it to ensure the EU Commission's involvement in the environmental studies. The petition is currently being considered by the appropriate committee [Petition 0952/2006].

Most recently on 20 June 2007, around 20 Lithuanian NGOs presented a petition calling for an impartial Environmental Impact Assessment. Issued by the country's Young Conservative League (Jaunujų konservatorių lyga), the petition called on all EU institutions and national governments to initiate an independent study on Nord Stream's environmental impact.

Nord Stream AG's response to these demands is:

1. The Environmental Impact Assessment report prepared by Nord Stream is based on national and international legislation.

The studies by Nord Stream are in line with international conventions (Espoo, HELCOM) and legislation applicable in the affected states. Procedure and content

are the result of an international coordination process involving all directly and indirectly affected states.

No legal basis, procedure or financing instrument exists for supranational or EU bodies to produce an Environmental Impact Assessment. In fact, European legislation and national law in the Baltic Sea States stipulate that the project developer must itself commission the studies to prepare the ground for the Environmental Impact Assessment (EIA) and Flora Fauna Habitat (FFH) impact analyses. The content, scope and depth of the studies are likewise guided by European and national environmental legislation. This includes guidelines for the EIA and the Habitats Directive, and the environmental guidelines of the European Community as passed into national law by its members.

Discussions in advance with the responsible national authorities will determine once and for all the scope and content of the required Environmental Impact Assessment and studies on the basis of binding legislation. The compulsory terms of reference for such studies will then be drawn up by an independent environmental expert.

During a visit by delegates of the Committee on Petitions to Poland in July 2006, Members of the European Parliament also indicated that there was no legal basis for the EU Commission to undertake an Environmental Impact Assessment. As a working document issued by the European Parliament makes clear, "It is, however, for the developers of the proposed gas pipeline to undertake the EIA in cooperation with the countries concerned. The members said that they doubt the Commission has a role in the preparation of the EIA but presume that the assessment is expected to be completed by the end of 2007. The project promoters have stated that the EIA will be carried out according to the requirements of all applicable legislation" [PE 376.717v01-00].

2. Nord Stream has commissioned renowned external experts to carry out the EIA studies.

A complete and independent study of the Environmental Impact Assessment and its presentation will be ensured by commissioning a third party to carry out these tasks. To this end, Nord Stream AG commissioned international engineering company Rambøll in 2006 to prepare the Environmental Impact Assessment report with all investigations required. Rambøll is a respected Danish company with subsidiaries in Sweden, Finland, Russia and Estonia. It has expertise in planning and constructing large infrastructure projects and in executing appropriate environmental impact studies.

By commissioning Rambøll, Nord Stream AG is ensuring impartiality in the production of the EIA report, even though this is no longer mandatory under new international procedures. As part of an audit of its social and ecological standards, the International Finance Corporation (IFC) decided that project promoters are no longer obliged to commission independent experts to execute Environmental Impact Assessment studies. Instead, they may be conducted in-house by the developer.

NGOs criticised the decision of the IFC, which has charge of cooperation with private corporations within the World Bank.

Nord Stream AG has decided to follow best practice in Europe and have an independent, experienced contractor prepare the EIA report.

3. The actual Environmental Impact Assessment is being undertaken by the national authorities of the participating states and not by Nord Stream AG.

Upon completion, the results of the EIA studies will be presented for inspection to the authorities of all affected countries. Neither the EIA nor FFH impact studies are being executed by Nord Stream or by its contracted environmental consultant (Rambøll). They are the sole responsibility of the national authorities concerned to ensure a technically accurate and independent evaluation of these studies, based on extensive experience and taking into account regional particularities. To doubt the independence and quality of this analysis is to doubt not only the law as it stands, but also the respective national authorities.

4. NGOs are involved in the Environmental Impact Assessment.

Environmental organisations and public interest groups are parties to the national permission procedures: all documents are made publicly available giving them the opportunity to examine all project documents and environmental studies. Such bodies can make detailed comments and communicate any findings of their own. The authorities overseeing this process are obliged to take account of public opinion and to include substantiated comments and queries in their final decision.

In addition, NGOs were directly represented by HELCOM in the hearing of Nord Stream AG in Helsinki in December 2006; and a representative of the WWF took part in a meeting of Espoo experts in Hamburg this June. At the invitation of Nord Stream AG, a meeting was held in St. Petersburg on 28 June 2007 with Russian and international non-governmental organisations to update them in detail on the current state of the project.

5. Nord Stream AG is not averse to further independent studies.

As part of its commitment to public participation, Nord Stream AG is providing complete access to the results of the environmental studies. The company is not opposed to further independent studies, but as explained in points 1-4 sees no necessity to duplicate the work. The impartiality of the EIA is already assured.

If third parties arrange further studies on their own initiative, Nord Stream AG will be receptive to these, provided they are included in the planned public hearings in the process. The company welcomes any initiative by NGOs to participate constructively in the current process, which is being conducted in a transparent and legal manner, to guarantee the environmental compatibility of the pipeline across the Baltic Sea.

Additional notes:

Nord Stream is a natural gas pipeline that will link Russia and the European Union via the Baltic Sea. Experts unanimously state that the demand for natural gas in Europe will increase in the future, accompanied by steadily decreasing domestic production. According to a Global Insight Study from 2007, gas imports by the European Union, 336 billion cubic metres in 2005, are projected to grow by 200 billion cubic metres to 536 per year in 2015. Connecting the world's biggest gas reserves, in particular the vast Shtokman field and the Yushno-Russkoye field, with the European gas pipeline network, Nord Stream will meet about 25 per cent of these additional demands. The project will be an important contribution to long-term security of supply and to the energy partnership between the European Union and Russia.

Nord Stream will be approximately 1,220 kilometres long. The first of two parallel pipelines, each with a transport capacity of some 27.5 billion cubic metres, is scheduled to be operational in spring 2011. Upon completion of the second line in 2012, capacity will double to about 55 billion cubic metres a year.

During the late 1990s, a Finnish-Russian consortium conducted a feasibility study with several onshore and offshore alternatives. The Baltic Sea route proved to be the best possible solution in terms of technical, environmental, and economic feasibility. In general, the total cost of ownership for an offshore pipeline, which consists of initial investments and operating costs, is lower compared to onshore pipeline projects. Operating costs are significantly lower, due to the fact that an offshore solution doesn't need compressor stations like onshore pipeline projects, where compressor stations are required approximately every 200 kilometres. The cost savings from operations will more than compensate for the higher costs of initial investment. Total costs of an offshore pipeline are some 15 per cent lower than an onshore pipeline, calculated over a period of 25 years.

As a cross-border project, Nord Stream is subject to international conventions and national legislation in each of the countries through whose territorial waters and/or EEZs it passes. Before construction starts, a transboundary Environmental Impact Assessment (EIA) governed by international law (Espoo Convention) will be completed along the whole pipeline route.

The Espoo Convention sets out the obligations of parties to assess the environmental impact of certain activities at an early stage of planning. It also lays down the general obligation of states to notify and consult each other on all major projects being considered, which are likely to have a significant environmental impact across national borders. The Espoo Convention was opened for signature in Espoo (Finland) on 25 February 1991, and came into force on 10 September 1997.

In November 2006, Nord Stream submitted the Project Information Document to all Parties of origin (states through whose territorial waters and/or EEZ Nord Stream passes) as an input to the formal Notification, according to the Espoo Convention. Notification launched the first phase of the consultation process, during which Nord Stream participated in over 20 public hearings and a large number of meetings with the relevant authorities in the various countries. These consultations resulted in the receipt of 129 statements from private and public bodies in the Baltic Sea countries.



Nord Stream AG is an international joint venture established for the planning, construction and subsequent operation of the new offshore gas pipeline. Gazprom holds a 51 per cent stake in the joint venture. BASF/Wintershall and E.ON Ruhrgas hold 24.5 per cent each. Dutch gas infrastructure company N.V. Nederlandse Gasunie is joining the Nord Stream consortium. German companies E.ON Ruhrgas and BASF/Wintershall each cede 4.5 per cent to Gasunie and keep 20 per cent each.

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