

Information paper for EU policy makers

Overview of the Nord Stream project



Nord Stream is the proposed gas pipeline which would link Russia and the European Union via the Baltic Sea. It will directly connect the world's largest gas reserves in Russia to Europe, and ultimately carry 55 billion cubic meters of gas per year to those areas in Europe where increasing demand is greatest. From Germany gas will be transported on to countries including Denmark, The Netherlands, Belgium, the UK and France – thus meeting a proportion of the increased energy demands that these countries have.

Corporate structure

Nord Stream AG is a company headquartered in Switzerland, whose purpose it is to construct and operate the Nord Stream pipeline. Nord Stream AG has four shareholders: OAO Gazprom of Russia (who have a 51% stake), BASF/Wintershall (20%), E.ON Ruhrgas AG (20%) and Nederlandse Gasunie (9%). Its shareholders are therefore Russian, German and Dutch. Corporate governance is carried out by the Shareholder Committee, which is made up of nominees of each of the shareholders. The Chair of the Shareholder's Committee is Gerhard Schröder.

EU energy supply

Europe's industry and consumers use more natural gas every year, partly as a response to increasing energy demands and also due to a shift away from more polluting fuels such as coal. The ultimate result of this is that, with its own production declining, the European Union will need to import 75% of its natural gas by 2015 to meet its energy requirements, compared to 59% in 2005 (Source: Global Insight).

Of the roughly 200 billion cubic metres of additional gas that this represents, Nord Stream will help the EU tackle its energy supply dilemma by meeting about 25% of this additional demand. Nord Stream will not therefore replace any existing supply route into Europe. In fact, Nord Stream will instead secure a direct link to the Shtokman gas fields, the largest gas reserves in the world, ensuring Europe's future energy security.

Nord Stream as a European Project

Even with the construction of Nord Stream, the EU requires significant investment in other import routes to meet expected demands in natural gas over the coming decades. The European Union's institutions, recognizing the need to encourage the construction of

new import routes, have designated Nord Stream a “project of European Interest” as part of the Trans-European Energy Networks (TEN-E). This is the highest level of importance under the TEN-E guidelines, which was most recently confirmed in mid-2006 following a proposal by the European Commission and approval by the Council and the Parliament. This means that Nord Stream is a key project for the sustainability and security of supplies in the European Union.

Project timeline

The project foresees pipe-laying works on the first line commencing during the summer of 2009, and to be completed in 2010. The first gas to be delivered by this commercial project is scheduled for the spring of 2011, after completion of a test phase. Nord Stream is thereby sticking to time plans which provide for and take into account long delivery times for pipeline materials, intensive dialogue during the permitting process, as well as the comprehensive safety tests needed.

Construction of the pipeline

Nord Stream will pass through the Exclusive Economic Zones and/or the territorial waters of five countries: Russia, Finland, Sweden, Denmark and Germany. As a cross-border project, Nord Stream is subject to international conventions – including the Espoo Convention, the Helsinki Convention for the Baltic Sea and the UN Convention on the law of the Sea – and national legislation in each of the countries through which it passes. Nord Stream has to apply for permits in each of the countries whose Exclusive Economic Zone or waters the pipeline will pass through, conducting an extensive environmental impact assessment in each area. On 21 December 2007, Nord Stream submitted application documents to the Swedish government. The company has handed in an application for the construction of the pipelines, including a technical description. Nord Stream also submitted an environmental study that describes the potential impact of the pipelines on the environment.

Environmental issues

Nord Stream recognizes that the Baltic Sea is a sensitive environmental area, with particular sensitivities that must be observed in regard to munitions dump sites. Nord Stream is not involved in the moving of any weapons or munitions, which is the responsibility of national authorities. Moreover, in September 2007, Nord Stream invited over 25 experts to Sweden to discuss the sensitive issue of **munitions** in the Baltic Sea and its plans for managing it. Discussions ranged from Nord Stream’s state of the art survey methodology (which includes a revolutionary gradiometer used for detecting objects on the seafloor) to the current related body of information.

The aim when planning the route of the pipeline has been to achieve a direct line, while respecting or avoiding certain areas, such as adverse natural conditions, environmentally sensitive areas, military exclusion zones, munitions dump sites, major navigation traffic lanes and special areas used for other economic or recreational interests.

Nord Stream has commissioned Rambøll, a respected and experienced independent Danish company, to carry out a detailed Environmental Impact Assessment (EIA). The

EIA is a detailed study of environmental aspects in a transboundary context. The process is governed by the Espoo Convention, Council Directive 97/11/EC of 3/3 1997. The finalised transboundary EIA report will be published in April 2008. The process of submitting EIA reports within national application procedures in Russia, Finland, Denmark and Germany will continue during the first half of next year and reflect the particular legislation of each country. This will enable Nord Stream to submit applications for construction permits in line with existing plans. The Baltic Sea terrain along the pipeline route has been carefully researched in one of the most rigorous studies ever carried out, and why Nord Stream prides itself on being a leader on information on the Baltic Sea.

Nord Stream is determined to use the environmental challenges of the Baltic Sea pipeline as a catalyst for the funding of new research, development and innovatory ideas for tackling these challenges.

Nord Stream in the European Parliament

Following a petition by a number of Lithuanian NGOs and Polish councilors the European Parliament Petitions Committee decided to write an own-initiative report on the Nord Stream EIA. Two other European Parliament Committees are writing opinions which will contribute to this report – the Committee on Industry, Research and Energy (ITRE) and the Committee on Foreign Affairs (AFET). The Environment, Public Health and Food Safety Committee (ENVI) decided not to submit an Opinion or to contribute to the hearing in January (although ENVI members are free to participate).

The Petitions Committee aims to adopt its report by June 2008, and to submit it for adoption in Plenary (i.e. by all MEPs) in July 2008.

The Petitions Committee has fixed a Public Hearing on 29th January 2008, which will involve all three European Parliament committees involved in the report, to discuss the issues further. The Petitions committee has commissioned three different studies ahead of the hearing which are an indication of the substance of the hearing's discussions:

- i. EU energy policy.
- ii. Nord Stream's impact on the environment.
- iii. EU-Russia relations in the light of the Nord Stream project.

Nord Stream welcomes dialogue with European Parliamentarians and will be present at the hearing in order to present information on the work of Nord Stream and its importance to European energy supply.