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## **Poland's view on the Nord Stream project**

### **Introduction**

The aim of this article is to identify and present the position of Poland on the Nord Stream project. The Baltic offshore pipeline constitutes a relevant question to the security situation in the Baltic Sea region. Not only has it attracted contradictory interests of different countries but also it has become a controversial subject of public discussion. The article first presents as a background some general information about the undertaking and its political meaning. Then it reviews the problems raised by Poland in relation to the Nord Stream pipeline. In spite of focusing on political issues, other important aspects are also mentioned.

### **Facts about the project**

Nord Stream is a 1220 kilometer-long offshore natural gas pipeline, which will be laid across the Baltic Sea. It is intended to link Vyborg in Russia and Greifswald in Germany. From Germany the gas could possibly be transported onwards to Denmark, the Netherlands, Belgium, the UK, France and other countries. The pipeline will be built and operated by Nord Stream AG. It is a joint enterprise of OAO Gazprom (51%), Wintershall Holding AG (20%), E.ON Ruhrgas AG (20%) and (9%).

Yuzhno-Russkoye oil and gas reserve, Yamal Peninsula, Ob-Taz bay and Shtokmanovskoye fields will constitute the gas supply resources for the project. Initially, one pipeline will be built with a transport capacity of roughly 27.5 billion cubic metres of natural gas per annum. In the second phase, a parallel pipeline will be laid to double the annual transport capacity to 55 billion cubic meters. The second pipeline is planned to come on stream in 2012. The total investment for the offshore pipeline is estimated to be 7.4 billion euros.

The contract between Gazprom and two German partners was signed in 2005 in the presence of official representatives of Germany (Chancellor G. Schroeder) and Russia (President V. Putin). In 2007 the consortium gained a new Dutch shareholder called N.V. Nederlandse Gasunie. The agreement was signed at the meeting with the Dutch prime minister J. P. Balkenende and the Russian president V. Putin.

### **Political meaning**

The Nord Stream project has engendered controversy among European countries. The German – Russian, at the initial stage, undertaking has found supporters in Denmark, the Netherlands and France. While the Baltic pipeline is supposed to enhance the energy safety in Western Europe, it has caused concerns among some governments and environmental NGOs. The group of countries remaining skeptical of the project include: Nordic states (Finland and Sweden), the Baltic republics (Estonia, Latvia, Lithuania) and Poland. The pipeline question grows in importance particularly in the context of the EU common energy policy. Sweden put

the matter of EU strategy for the Baltic Sea region at the top of agenda during its ongoing presidency of the Council of the European Union.

Moscow places great importance on the new gas pipeline, which is to play a crucial role in diversification of transit routes for Russian resources to Europe. It means decreasing the export dependence on transit countries. What is more, Kremlin considers the project as a matter of prestige. Finalization of Nord Stream will not only strengthen the position of Gazprom on European market, but also create opportunities of further development. The project will also stimulate economical relations between Russia and EU. It is typical for their cooperation that the contracts are signed according to the exchange of assets rule. In return for access to European market, Russian companies give the European partners assets in exploitation of natural resources.

From the western countries' vantage point, Nord Stream will meet the demand for diversification of energy supplies and delivery routes. In the face of rising energy consumption Europe seeks for alternative recourses. It is estimated that Nord Stream would cover a quarter of the energy shortfall in EU. French, Danish and British companies have expressed interest in future cooperation with Nord Stream A. G. provided that the pipeline project is finalized. At the same time, there is growing opposition to the pipeline among governments of Nordic and Baltic states. While the first mainly put forward environmental arguments, the later have expressed concern about the political consequences of the project for their security. Poland acts as a transit state for Russian resources to Western Europe. For Warsaw the Baltic alternative to the Jamal pipeline means: reduction of gas transport as well as loss of transit tariffs, loss of opportunity to influence gas prices and loss of relevant instrument in relations with Moscow. In conclusion, Nord Stream can deepen the differences in energy security levels within the EU and decrease the EU's capability for coordinated action.

### **Nord Stream and the Espoo Convention**

The Convention on the Environmental Impact Assessment in a Transboundary Context, signed in Finnish Espoo on 25 February 1991, was developed by the UN Economic Commission for Europe. This international legal act serves as a basis for transboundary ecological risks studies. According to the Appendix I to the convention, that lists activities with implied risks of harmful across – border environmental impact, the Nord Stream Project falls into category No. 8, which is large – diameter oil and gas pipeline. Parties to the convention have obligation to participate in assessing potential impact of a industrial project on the environment. All involved actors are divided into two groups. First class, parties of origin, include countries under whose jurisdiction the project is to take place. In case of the Nord Stream project, this term refers to Russia, Finland, Sweden, Denmark and Germany, whose exclusive economic zones and territorial waters are expected to be traversed by the pipeline. The other category, affected parties, is related to countries likely to be affected by the transboundary environmental impact of the industrial enterprise. In this particular situation Estonia, Latvia, Lithuania and Poland are classified as affected parties.

Since November 2006, when the Nord Stream operator sent an official notice of the start of the project, the procedure of assessment has been in progress. The parties of origin are under the obligation to notify the affected parties of the prospective project and ensure the consultations with the government of affected country if the later has expressed will to participate in the assessment procedure. The public of affected parties should also be taken

into account in a procedure of assessing the potential impact of the undertaking on the environment. All the necessary documentation has to be submitted to the competent authority of the party of origin. On the basis of the environmental impact assessment, the parties of origin make decision on whether or not to authorize the project.

According to UN Convention on the Law of the Sea, in the exclusive economical zone, all states, whether coastal or land-locked, enjoy the freedoms of navigation, over-flight and of the laying of submarine cables and pipelines. A coastal state has strictly defined rights in its exclusive economic zone. These include: sovereign right for purpose of exploiting, conserving and managing the natural resources of the water, seabed and subsoil; the establishment and use of artificial islands, installations and structures; the protection and preservation of marine environment. As a coastal state has to respect the rights of other states in the EEZ, it has limited legal measures to prevent the pipeline building. However, it can use other means like the environmental impact assessment of the project in order to prolong its development.

### **Poland's view on Nord Stream**

Poland has taken a critical position on the Nord Stream project. The country see the enterprise as a prospective threat to its energetic security as well as a factor making the transit country decline in importance. Among Polish political elites there is concern about increasing involvement of Russia in EU energy politics, too.

Gazprom is a leading supplier of natural gas in Eastern Europe. Polish – Russian relations in the energy sphere are regulated by a contract signed in 1993. The parties then decided on a new pipeline construction going through the territory of Poland. They also achieved agreement on natural gas supplies, which were to be transferred from Russia to Poland. As a consequence, a new consortium called EuRoPol GAZ was set up to develop and operate the Polish part of the Yamal pipeline. The concern's shareholders include: Russian Gazprom (48 %), Polish PGNiG (48 %) and Gaz – Trading, in which Polish companies hold 80 % shares. For the time being, the shares in EuRoPol GAZ remain the only direct investment of Gazprom in Poland. However, the Russian company is planning to enter Polish market and start to distribute its products directly or by companies linked to Gazprom. As the contract on natural gas supply between Poland and Russia is to expire by the end of 2009, negotiation on new long – term agreement are in progress. While Poland insists on increasing natural gas supplies from Russia, Gazprom takes interest in the transit fees' decline and changing division of shares in EuRoPol GAZ into 50% for Gazprom and 50 % for PGNiG. The Yamal gas pipeline goes from Yamal Peninsula, that is situated in western - north Siberia, through Belarus and Poland to Germany. The Polish line started operating in 1996. The Yamal pipeline constitutes the main route for natural gas imported into the domestic market. It is significant that 67% of the gas consumed by Poland comes from Russia. In February 2004 due to the conflict between Russia and Belarus, Poland was badly affected by a cutoff of natural gas supply. It cost Polish companies 2 million USD. The gas crisis in Ukraine in January 2009 led to a decrease in gas supply transferred from Ukraine to Poland and has negative consequences for its national industry.

Poland pays attention to the political features of the pipeline investment. Moscow intends to create new delivery routes to western Europe that would be independent from transit countries. As a result, the transit country would decline in importance. That would enable Russia to use its monopoly position on energy market as an instrument of foreign

policy. For example, it could decide about a cut in energy supplies in order to put pressure on authorities of a state dependent on Russian natural gas. Such a move would have negative consequences for the country in question but would not affect receivers in western Europe due to diversification of their delivery routes.

The economic consequences for the country is another focus of the debate in Poland. The Nord Stream project can result in reduction of the gas transported through the Jamal – Europe pipeline. Moreover, Poland might lose both the transit tariffs and the opportunity to influence gas prices. The situation poses a threat to Polish energy security as it puts the industry as well as households in danger. These reasons make Polish authorities take steps toward diversification of energy supplies and to seek alternative energy resources. There are a few possible projects that could diversify gas supplies in Poland and that can gain the approval of the Polish government. One example is the Nabucco pipeline that would transfer Caspian gas from Turkey through Bulgaria, Romania, Hungary to Austria. In connection with the Nord Stream question, Poland tries to promote Amber pipeline as a landlocked alternative to Baltic enterprise. Amber would link Denmark and Lithuania, and in further perspective, also Finland, Estonia and Latvia. Relatively low costs of developing and avoiding harmful effect on environment are its main advantages. However, there is slight likelihood that the project will be realized.

Poland has also expressed concern regarding the planned route. The main question refers to the delineation of the Polish – Danish border. According to a plan, the pipeline is supposed to be laid in Danish exclusive economic zone, south to the Bornholm Island. Nevertheless, this area (3503 km<sup>2</sup>) constitutes a grey zone, where Danish claims regarding EEZ overlap with Polish ones. There is an unresolved dispute over sea borders between Poland and Denmark lasting for about 30 years. The problem arised after the two countries declaring continental shelves. Under the Polish domestic law, the area in question is claimed to be EEZ belonging to Poland until respective international agreements are signed. Bilateral meetings of diplomats from both neighboring countries have not led to a final commitment yet. Although each side sticks by its reasons, they express the will to continue negotiation. The Nord Stream A. G. treated the area as a Danish exclusive economic zone, which raised opposition among Polish authorities. In reaction, the consortium decided to change the course of the pipeline. The issue is still being discussed between Warsaw and Copenhagen as well as between Warsaw and Nord Stream.

According to plans the Nord Stream pipeline will cross the cabel linking Swedish and Polish energy systems as well as the fibre optics between Bornholm and Poland. The UN Convention on the Law of the Sea states that all states are entitled to lay submarine cables and pipelines on the continental shelf, but the course of the installations needs to be approved by the coastal state. During construction of new cables and pipelines one should take into consideration already existing ones as not to cause damage to them. These conditions also need to be taken into account by the consortium responsible for the Nord Stream pipeline.

Finally, Poland put forward ecological arguments. Warsaw has reservation about the analysis submitted by the Nord Stream A. G. regarding the impact of the project on the sea environment. Poland wanted a more specific report on how the construction will affect Baltic fauna and flora as well as fishing. The country expresses concern about the fact that the construction works could trigger explosion of chemical weapons remaining on the seabed of Baltic Sea since the Second World War. What is more, local authorities and some associations

from Polish coastal regions lobby the government to act against the Nord Stream. They are afraid the project would negatively impact upon fishing and tourism in their areas.

## **Conclusion**

In general, Poland is displeased with the Nord Stream project. The government has taken a negative attitude towards the pipeline for economical and political reasons. In the procedure of the environmental assessment of the offshore construction Poland constitutes an affected party, according to the Espoo Convention. Its position is also determined by its role as a transit state for Russian natural resources. To sum up, Warsaw worries about the safety of its energy supplies and increasing Russian involvement in the European market. Ecological concerns and arguments regarding the Polish-Danish delineation question appear to serve underlying political and security interests, which are more crucial for Poland.

## **Main sources**

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