

BRIEF

GERMANY, RUSSIA, AND
ENERGY POLITICSGERMANY AND BALTIC SECURITY
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Relations between Germany (or historical German and German-led states) and Russia have often been a decisive factor in the history of the Baltic region in the last 800 years. The Baltic states are dedicated to the European Union, in which Germany plays (together with France) the leading role. However, their main concern remains security against a resurgent and aggressive Russia. Effective deterrence and defence is provided by NATO, and particularly by the US, whereas the non-nuclear and under-spending Germany plays a secondary role.

The most contentious issues in Germany-Russia relations, from a Baltic perspective, have been Germany's increasing energy dependence on Russia, particularly if/when the Nord Stream 2 pipelines become operational, and Berlin's ambiguous approach towards Moscow in pursuing in parallel a firm (sanctions) and, on the other hand, a conciliatory (business) line. The Baltic states tend to believe this strategy will not change Russia's behaviour/policy and risks further decreasing Europe's security. However, the new German "traffic light" coalition government may prove to stand closer to Baltic perceptions and interests, and become a more principled and difficult counterpart for Russia.

HISTORICAL PERSPECTIVE

The Second World War that ended in Nazi Germany's defeat and the Stalinist Soviet Union's victory, as well as Germany's partition and occupation, became the major factor in future German-Russian relations. The German reunification (in October 1990), according to

the so-called "Two Plus Four Treaty", became possible due to Mikhail Gorbachev's perestroika and his wish to end the Cold War.

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Germany has borne the guilt of war for decades, especially vis-à-vis Moscow. The Kremlin has created and promoted, particularly under President Vladimir Putin, the cult of Russia's "Great Victory" that serves not only domestic purposes but is also intended to perpetuate Germany's sense of guilt and blame Germany for war crimes, many of which were committed by the Stalinist Russia itself.

In 1969, West Germany's Chancellor Willy Brandt started a policy of détente, normalisation and openness towards the East (Ostpolitik), including signing, together with the Soviet Union, the Nuclear Non-Proliferation Treaty (sponsored also by the US and the UK, after years of controversy in NATO).¹ The nuclear aspect is very relevant, as Russia continues to put its main emphasis on its nuclear power, whereas Germany decided to give up even its nuclear power plants.² In the worst case, Germany's incoming coalition government may also decide to step out of NATO's nuclear sharing programme, considering debates in the future Chancellor's party, the Social Democratic Party (SPD), in the months before his election.³

Angela Merkel assumed the office of Federal Chancellor in November 2005, about five years after Vladimir Putin rose to power in Russia. Merkel has a personal, and Putin a professional past connection with East Germany (the former GDR), but their mindsets regarding democratic

values and Europe's security are virtually opposite. Merkel has recently left the political arena, whereas Putin has no such plans.

The Kremlin's new counterpart in Germany is a "social-ecological-liberal" alliance led by Olaf Scholz (SPD) that includes the Social Democratic Party, the Free Democratic Party (FDP) and the Green Party.

RUSSIA'S GAS AND GERMANY'S ECONOMY

Energy, in the form of Siberian gas exports, is by far the most important feature of Russian-German economic and political relations. Russia is the world's largest gas exporter and Germany is its biggest market. Since 1973, more than 1 trillion cubic metres of gas has been delivered by state owned Soviet/Russian gas monopolies to privately owned German companies and consumers. Four large contracts between Gazprom Export LLC and Uniper Global Commodities, Gazprom's main partner (including its predecessors) since the 1970s, are valid until 2035. Gas is supplied to WINGAS GmbH in Germany via the Nord Stream project. The gas pipelines are owned and operated by Swiss-registered Nord Stream AG whose managing director is Matthias Warnig – a former Stasi officer and President Vladimir Putin's collaborator – and the chairman of the shareholders' committee since 2013 is former German chancellor Gerhard Schröder.

Gazprom exported about 156.5 billion cubic metres (bcm) of gas to EU member states in 2020 (more than 75% of its overall gas exports), including 45.84 bcm to Germany, a volume equal to the combined gas imports from Russia by the next three main EU importers – Italy, France, and Austria.⁴ The share of Russian gas in Germany's gas imports (in total 102 bcm) was 45% in 2020. The Nord Stream 2 pipelines would double Nord Stream's capacity from 55 to 110 bcm per year, and would significantly increase Germany's dependence on Russian gas. The share of gas (more than 90% imported) is about a quarter of Germany's primary energy consumption, but it will rise due to the early closing of Germany's last operating nuclear power plants, and the EU's

Green Deal, before Germany and the entire West can rely on hydrogen and other alternatives (in addition to solar, wind and other environmentally friendly types of energy).

Germany has struggled to convince its EU and NATO allies (and perhaps itself) that Nord Stream 2 is pure business

The licensing of Nord Stream 2 was put on hold by the German Federal Network Agency, although the two additional pipelines are complete. Russia remains patient, as long as the Kremlin can play with and profit from spiralling gas prices in Europe, at least during the on-going winter. Germany has struggled to convince its EU and NATO allies (and perhaps itself) that the project is pure business, and it will not negatively affect them or third countries (particularly Ukraine), or be used by Russia as a hybrid weapon of political and financial manipulation and extortion. However, despite Germany's understandable energy needs, there is a set of important matters in which Germany bears responsibility, but it can hardly mitigate the (possible) consequences:

- Over-reliance on Russian gas contradicts the EU's energy policy that requires diversification of energy sources, routes and suppliers. This is both an economic and political consideration. In fact, Russia stands in this context above the EU's solidarity and joint decisions. Russia's energy companies and their various subsidiaries (including joint ventures that have Russian major stakeholders) are under the Kremlin's control and cannot be considered apolitical business partners.
- Gas supply, especially for Ukraine, is guaranteed primarily by Moscow.⁵ In addition, the Kremlin can manipulate gas prices, as exemplified by the current energy crisis. Russia's political leverage over Germany and other European countries could become stronger.
- Nord Stream 2 is a powerful tool for compelling Germany, and consequently the EU, to ease (or even terminate) sanctions adopted against Russia because of its continued aggression against Ukraine, since

2014, and other misconduct. Germany needs gas supplies from the Yamal region through existing and constructed (but not yet operational) pipelines. Russia argues that much needed Western investments and technologies in (prospective) gas fields (also on the Arctic Ocean's shelf) are currently hampered by sanctions.

Starting with this legacy, Germany's new government coalition must further shape the bilateral gas relationship with Russia, considering that decarbonising the gas value chain becomes the centrepiece in the old strategic triangle of energy – climate change and sustainability, supply security and economic competitiveness.⁶ Wider political and security risks complicate the overall picture. Germany and the US struck a deal, in July 2021, to allow the completion of the Nord Stream 2 pipelines and mend their bilateral relations.⁷ They later discussed imposing further sanctions on Russia (by the US Congress), as well as measures to prevent Russia from weaponising gas exports against Europe.⁸ The US and Germany agreed recently to halt the Nord Stream 2 in case of a new invasion by Russia of Ukraine.⁹ The new Federal Chancellor Olaf Scholz added that Germany remains committed to Ukraine's gas transit role.¹⁰

Germany, and the EU as a whole, could become more reliant on Russian gas and be exposed to political manipulation by Moscow for the next 20 to 30 years

Meanwhile, the Baltic states are striving to secure, as much and as soon as possible, their energy independence from Russia. They are determined to reduce their vulnerability to Russia (by decoupling their power grids from Russia and Belarus, and relying more on renewable energy and LNG), but Germany, and the EU as a whole, could become more reliant on Russian gas and be exposed to political manipulation by Moscow for the next 20 to 30 years. The Baltic states (and Poland) stand vehemently against Nord Stream 2 and openly proclaim the main risks associated with the project. Their voice is heard, but the fate of Nord Stream 2 depends ultimately on Germany's policy choices.

GERMANY'S NEW GOVERNMENT, RUSSIA, AND THE BALTIC STATES

An editorial published in *Nezavisimaya Gazeta* (in Russian and German) was rather sceptical about reinvigorating German-Russian relations.¹¹ The coalition agreement of the “traffic light government” in Berlin, obviously a compromise between the three parties, has little on Russia and no mention of Nord Stream 2. This is a bad omen, as Foreign Minister Annalena Baerbock (leader of the Green Party), although inexperienced, is a staunch opponent of Nord Stream 2 and a harsh critic of Russia's misconduct.¹²

The coalition agreement mentions bilateral cooperation with Russia in the spheres of healthcare (Russia's main concern is the certification of Sputnik V by the European Medicines Agency, its production in EU countries, and mutual recognition of vaccination certificates); hydrogen as a future source of energy (Russia is hardly interested in the precipitated end of the hydrocarbons era); the fight against climate change and protection of the environment (areas in which Russia has difficulties making large investments and promoting reforms); and a possible visa-free regime for young Russians (a politically inconvenient step for the Kremlin, as it could not reciprocate, and also an economic and social risk, if it turns out to be a potential brain drain).

The Russian analysis points out that the FDP leader Christian Lindner and the Green Party's co-chair Robert Habeck occupy the utmost important posts of Minister of Finance, and respectively of Vice-Chancellor and Minister of Economic Affairs and Climate Action. Lindner and Habeck could direct from the back seat the car driven by SPD's chairman Olaf Scholz. Lindner visited Moscow early last year, but Russia's leaders did not think much of him, probably because he made statements in support of Alexei Navalny. Lindner got meetings with lower-level officials while leaders of the German right-wing extremist AfD party were received warmly by the highest echelon in Moscow.

The Kremlin has much to think of, and struggle ahead to forge a relationship with the new

German coalition government that would make Russia's voice heard and interests fulfilled, including the operation of Nord Stream 2, the political process in the so-called Normandy

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format, and other critical issues. The starting position does not look very promising for Moscow.

The Baltic states have enjoyed a very close relationship with ex-Chancellor Angela Merkel and her subsequent governments, in spite of certain disagreements (most notably on Nord Stream 2). The positions of Germany's new government coalition on Russia, especially those of the Foreign Minister Annalena Baerbock, fall more in line with the Baltic approach towards their eastern neighbour. Therefore, the Baltic states could be more encouraged to trust and rely on Germany in dealing with Russia, but Germany's new government must first prove themselves in deeds and actions.

ENDNOTES

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