

European Energy Security through Foreign Policy Analysis: Nord Stream 1 and its Consequences

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This paper reexamines the Foreign Policy Analysis (FPA) with regard to recent developments concerning Nord Stream 1 (NS1) and Nord Stream 2 (NS2). Both of these projects are understood as specific foreign policy actions – “products” of foreign policy decisions. Drawing on Walter Carlsnaes’s identified lack of integrative and dynamic models that would convincingly include both types of variables – structures and actors in a dynamic fashion – this study proposes a “reinforced model” of foreign policy analysis. Our model accounts convincingly for the correlation between NS1 and NS2, understood as foreign policy actions. Our research indicates that the linear sequence, as proposed by Carlsnaes himself (structure – disposition – intention – action), can and indeed should be re-conceptualized in a “circular” manner. This being the case, it is claimed that the outcome of the original action (NS1) has reinforced the structural dimension that has led to reinforced dispositional dimension, which in turn has led to reinforced intentional dimension that ultimately underpins NS2.

Keywords: EU, Energy Security, Foreign Policy Analysis, Nord Stream

I. INTRODUCTION

This paper revisits the Foreign Policy Analysis (FPA) considering recent developments regarding EU Energy Policy in general. In particular, it looks at two energy projects: Nord Stream (NS1) and Nord Stream two (NS2). Both projects (NS1 and the proposed NS2) are understood as specific foreign policy actions – “products” of foreign policy decisions. The two pipelines that bring gas from Russia to Germany through the Baltic Sea are the response of Germany to the structural challenges that stem

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from weaknesses in the EU energy security strategy and most importantly from the European over-dependence on Russian gas as well as Ukraine as an energy transportation hub. Against this backdrop, the German foreign policy leadership decided to bypass these structural challenges by agreeing with Russia on the construction of the two pipelines.

When Germany inked an agreement with Moscow for the construction of Nord Stream 1 the agreement was contested by Central East European states. According to the so-called Visegrad group of countries, Moscow is an energy partner that should not be trusted and remarkably the then Poland's Defence Minister Radosław Sikorski, compared Nord Stream 1 to the infamous Nazi-Soviet Molotov–Ribbentrop Pact (Powell, 2016). Similarly, EUMS challenged the construction of Nord Stream 2 arguing that the EU should focus on minimizing its exposure in relation to Russian gas and its members questioned its compatibility of the pipeline with the 3rd Energy package (European Parliament, 2015, 2016). In the same vein, EU institutes such as the EEAS, albeit not so bold, share some of the concerns of the Eastern European countries; they recognize the geopolitical dimension in energy security and underscore the necessity for a concrete EU energy security strategy vis-à-vis the elephant in the room, which is the European overdependence on Russian gas (Riley, 2016).¹

FPA faces a particular methodological conundrum: agency – structure problem. Accordingly, all explanations within this framework stress the significance of either one or the other: agency (actorness) over structure, or structure over agency (actorness). The authors of this study draw on Walter Carlsnaes and his approach that convincingly addresses the above-mentioned problem. Carlsnaes, who has identified a lack of integrative and dynamic models that would conclusively include both types of variables - structures and actors in a dynamic fashion, addresses this problem by proposing a simple tripartite analytic framework that is based on progressive logics.

He commences with the **structural dimension**, which is understood to operate on the deepest level. Structure in this regard includes various types of factors such as domestic, international, social, cultural, economic or material. As such, these factors create a specific environment in which the actors operate. Importantly, such defined factors change very slowly.

Actors' belief systems or underlying values shape their world views and therefore their cognition. This constitutes an intermediary level, also referred to as the **depositional dimension**. Beliefs and values are somewhat more changeable than structural factors but they are not as "flexible" as intentions. The last dimension logically preceding an FPA, according to

¹ Senior officials from EEAS, interviewed by Stratos Porzitakis, 2016, Brussels.

Carlsnaes's model, is an **intentional dimension**. It refers to the specific goals and reasons of a particular policy undertaking (Carlsnaes, 1992).

The authors of this paper utilize the integrative analytical FPA model by Carlsnaes with reference to NS1 and NS2. In particular, we look at both FPAs (NS1 and NS2) as being interrelated, consequential actions. This approach will allow us to address the very weakness acknowledged by Carlsnaes himself – his model is static because it privileges structures over agents. The authors of this study undertake a consequential approach to determine whether there is any link between NS1 as an FPA1 and NS2 as another, consequential FPA2. Secondly, we research the nature of this link. It is our hypothesis that these two actions (FPA1 and FPA2) are interrelated and that the realization of NS1 influenced the very structural factors that led to it in a conducive manner further leading to a successive FPA2, in this case a decision to support NS2.

If proved, we would demonstrate that the model proposed by Carlsnaes should be extended to operate in a self-reinforcing manner, thereby confirming the path dependence theory that derives from Neo-institutionalism, and in effect fusing these two concepts into one coherent framework.

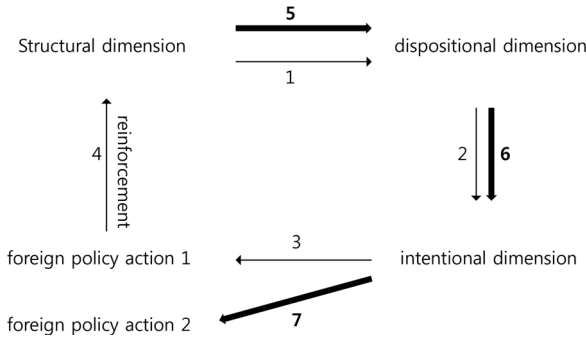
Secondly, we would also account for the complexities of the EU energy strategy which, in our opinions, will suffer from the realization of NS2.

In terms of structure, our general epistemological choice is “organizational behavior.” This is because this is by far the most suitable approach, allowing us to understand both NS1 and NS2 as being the outputs of large organizations which function in accordance with regular patterns of behavior. As far as the actors are concerned, our choice falls on the liberal or societal approach regarding the agency (actorness), since both NS1 and NS2 are mainly carried out by private companies and not by national governments.

This paper proceeds with the identification of the most relevant structural factors which undermined the NS1 decision. In this respect, we identify undermining factors which are both international and domestic variables. Next, we analyze the dispositional dimension of the NS1 by identifying particular actors involved in the decision-making process relating to NS1. Subsequently, the values and belief systems of the identified actors are examined. Fourthly, the intentions of the so-identified actors are inspected, specifically the particular goals that they planned to achieve. Fifthly, the realization of NS1 is scrutinized as an outcome of all the three dimensions which precede it. Special attention is paid to the consequences of such defined action and the influence it exerts on the very structural dimension that underpinned the original decision that led to NS1. It is claimed that these consequences affected the underpinning dimension so that conditions were created that favored further actions leading to NS2.

This being the case, it is claimed that the outcome of the original action (NS1) reinforced the structural dimension that led to the reinforced dispositional dimension, which in turn led to the reinforced intentional dimension that ultimately underpins NS2. This relationship between the independent variables is demonstrated by Figure 1.

FIGURE 1. REINFORCED MODEL



II. STRUCTURAL DETERMINANTS

Nord Stream is a natural gas pipeline that serves as a gas-transportation facility from the Russian Federation (Vyborg) to Germany (Greifswald). It is owned and operated by Nord Stream AG (Nord Stream, 2016). According to the operator, “the two 1,224-kilometre offshore pipelines are the most direct connection between the vast gas reserves in Russia and energy markets in the European Union. Combined, the twin pipelines have the capacity to transport a combined total of 55 billion cubic meters (bcm) of gas a year to businesses and households in the EU for at least 50 years. As the project strengthens the EU energy market and reinforces security of supply, the project has been designated as being of ‘European interest’ by the European Parliament and Council.”²

The preparatory work for the project started in 1997 and the official inauguration was in November 2011 (throughout these fourteen years the stakeholder structure evolved significantly). At the present time (early 2017) there is an ongoing debate regarding the extension of the project under the name of NS2. It seems that the actors involved (the German and Russian governments together with a number of private energy companies) are in favor of deepening cooperation regardless of environmental, security and military, political and ethical concerns.

² Nord Stream, *The Pipeline*.

Let us therefore have a closer look at the structural level, which has changed only slowly. In this respect we pay most attention to international and domestic factors.

- Structural context of energy security in Europe

• International context

Four factors are particularly worth mentioning when it comes to the international environment and which lend themselves to structural underpinnings. They are of a fundamental character, and therefore we will refer to them as “**metaphysical reorientations.**” Politically, the end of the Cold War marked a fundamental change of circumstances for states which sought energy security. The end of the ideological confrontation between East and West abolished barriers in international trade and consequently enforced the driving powers behind globalization. Economically, therefore, the agenda put forward by the proponents of neoliberalism came to be celebrated as the one and only option for governments which sought to maximize their economic efficacy and optimize security. Both of these options are supposedly intertwined, as Francis Fukuyama argued in his notorious essay ‘The End of History and the Last Man’ (Fukuyama, 1992).

The fall of the Berlin Wall and the subsequent demise of the Warsaw Pact and the Soviet Union denoted not only the end of the narrow paradigm of realist thinking with its power distribution models (hegemony vs bipolarity/tripolarity vs multipolarity) and characteristics of power in international relations (mainly focused on military power or the economic resources that could translate into it). These two major events above all laid the foundations for establishing a new world order where power relations were much more nuanced and therefore less predictable. The new paradigm became more and more characterized as transitory in its character (Wallerstein, 2000).

This change in (global) politics facilitated the speeding-up of the processes of globalization (to be understood as the second factor), especially in its economic domain, where the “Washington Consensus” (WC) became the new standard. The peace dividend, heralded after the end of the Cold War, allowed a market-based approach to dominate numerous aspects of politics, and this included the matter of international relations. No more competition, “let’s talk business”, became the new policy leitmotif. Neoliberalism therefore entered its next stage where economics finally overshadowed politics. As William Davies acutely observes: “... the character of neoliberal authority: on what basis does the neoliberal state demand the right to be obeyed, if not on substantive political grounds? To a large extent, it is on the basis of particular economic claims and rationalities, constructed and propagated by economic experts. The state does not

necessarily (or at least, not always) cede power to markets, but comes to justify its decisions, policies and rules in terms that are commensurable with the logic of markets. Therefore, according to Davis (2014), neoliberalism might be defined as the elevation of market-based principles and techniques of evaluation to the level of state-endorsed norms” (Davies, 2014). What this means in practice for foreign policy-makers in the 21st century is that ideological differences are no longer barriers to trade. Pragmatism becomes not only an overwhelming narrative, but can even be elevated to the level of normative basis.

The third factor, which in our view should also be seen as “metaphysical”, is European integration and its institutional emanation – the European Union (EU). As a structural factor, the EU is by far the most obvious embodiment of liberal institutionalism to date. Its comparative advancement in terms of economic cooperation makes it one of the strongest economic players in the contemporary world. Economically, members of the EU are interconnected in an unprecedented manner, due to the “single market” project. The EU acts as a party in economic disputes in the World Trade Organization. The European Commission, after the introduction of the Lisbon Treaty, signs economic agreements representing the whole Union rather than any particular member state. The Canada-European Union Comprehensive Economic and Trade Agreement (CETA) is a good case in point.

Last but not least, we should bear in mind the nature of the energy resources that are at our disposal. In this respect, oil has for years remained the primary resource for our constantly energy-thirsty economies. For 2016, the International Energy Agency (IEA) forecast a worldwide average demand of nearly 96 million barrels of oil and liquid fuels per day – more than 35 billion barrels a year (International Energy Agency, 2016). According to its *Medium-Term Oil Market Report 2016*, global demand will surpass the 100 mb/d threshold towards the end of its five-year outlook period. There are, however, three reasons why this growing demand will most probably come to an end. Firstly, many existing oil reservoirs have reached their peak production, with the result that output of oil is bound to decrease in the future. Secondly, the rate of discovery of new oil fields is lower than in the past; consequently, this does not allow for energy substitution against a continuing increase in oil consumption. Thirdly, new discoveries are usually made in places that are difficult to exploit for various reasons, both geographical, environmental and political (Klarke, 2008).

Consequently, for most EU members, some of the most developed economies in the world, gas has become an increasingly important element in their energy mix. For this reason alone, Russia has emerged, given its geographical location and rich energy resources, as the EU’s single

most important oil and gas provider (Aalto, 2008, p. 26).

The remaining structural factors, regardless of their nature, are of a less fundamental character and therefore they are not termed “metaphysical”. Given the limited character of this paper they will not be analyzed at length. Rather, a brief account will be presented, accompanied with references for further reading.

The end of the 20th century saw an emergence of new economic players, some of which, such as China, India and Brazil, have become major rising economies. This obviously translates into their need for energy resources, thereby adding to the pool of oil and gas consumers; this further complicates the energy markets and affects not only the energy security of European countries such as Germany but also their foreign policies (International Energy Outlook, 2016).

Additionally, the 2004 EU enlargement, also known as the “big bang enlargement”, has transformed geopolitical and geostrategic realities in Europe, shortening the distance between Western Europe and Russia. The “big bang” effectively aligns some of the biggest consumers of energy in the world with Russia, one of the world’s biggest producers³.

• Domestic context

At the most general level, it is obvious that energy is not just *any* commodity. Energy really is *the* commodity of strategic significance regarding the development of whole nations, which makes it relevant to the stability of the international system. Every country treats its energy security, usually defined as the reliable and affordable supply of energy on a continuing uninterrupted basis, as an integral part of its grand strategy (Victor et al., 2006). The Nord Stream project is therefore a vital tool designed to provide western consumers with a stable and affordable supply of gas, serving at the same time as a reliable source of revenue for its Russian producers. A reliable and affordable source of energy is of particular strategic importance for Germany, perhaps even more so than for other members of the EU, given its export-oriented economic model, which is based on the production of manufactured goods.⁴

Finally, the German energy market is “divided and ruled” by big privately-owned, for-profit companies where state regulatory powers are (to say the least) limited.⁵ This, given the links with the Russian state-owned/

³ According to International Energy Agency data as of 2016, Russia is the second global biggest producer of natural gas. In this regard one should also understand the ongoing war in Ukraine and the role of Russia amid identifiable attempts on the part of the Kremlin to control as many outlets of gas in Central Asia as possible.

⁴ See more at: Eurostat Statistics Explained, ‘Gross inland consumption of natural gas in thousand terajoules (Gross Calorific Value).png.’

⁵ See later sections of this paper.

controlled energy companies such as Rosneft or Gazprom, makes for a peculiar situation whereby German corporate interests depend heavily on Russian politics. This is in fact the predicament that other EU members find themselves in, due to fragmented and private-dominated energy markets. One look at the NS1 shareholders' structure reveals the weakness of the European approach *vis-à-vis* Russia and its government-managed/controlled projects. Officially the name of the company behind NS1 is Nord Stream AG (NSAG) – it is a consortium which consists of five companies: Gazprom, Wintershall, E.ON Ruhrgas, N.V. Nederlandse Gasunie, and GDF Suez. Interestingly, Gazprom controls 51% of NSAG shares, which makes it the most important “player.”

III. DISPOSITIONS – ECONOMIC GROWTH AND SOCIAL STABILITY

- **Energy security and national interest**

As for many states, energy is not just an ordinary commodity for Germany, but a prerequisite for the country's economic growth and social stability. Germany was devastated in World War Two (WW2), and went through a lengthy process of recovery. 1990 brought another challenge, that of national reunification, whereby economic growth and social stability became ultimate values for public policies and one of the most important duties for the country's political leadership.

This has essentially resulted in the conceptualization of energy security as a “public welfare”. (As such, this approach dates back to the first decades of the 20th Century. The 1935 Energy Act, which constituted a milestone in the development of German energy law with respect to electricity and gas, aimed to maximize the security of supply and to ensure low energy prices.) In its ruling referring to the provisions of the 1965 “Act on the Minimum Storage of Mineral Oil Products”, the German Federal Constitutional Court argued that energy security falls within the “interest of most public concern” (Kuhne, 2004). Likewise, recently the “Energy Dialogue 2000” report recognized energy security to be one of the three key objectives of German energy policy together with economic efficiency and environmental compatibility (Geden et al., 2006, p. 6).

German values regarding national interest have been encapsulated by what Edward Luttwak coined as the “rise of geo-economics” and the consequent displacement of geo-politics in international affairs. Luttwak assures us that state policy is determined at the micro-level by a wide array of actors including politicians, bureaucrats and companies. He cites a typi-

cal example of reciprocal manipulation between the state and private companies, namely, the energy industry, where oil companies act as both instruments and instrumentalizers and where the state is both user and used (Luttwak, 1990). As a result, economic interests have gained increasing prominence in the definition of states' interests. Consequently, the private sector in combination with political leadership determines the preferences of sovereign states. This has certainly been the German approach to energy security, especially because Germany has long sought to expiate its guilt for its behavior in WW2 by identifying itself as an economic giant rather than a global actor that plays an important role in international relations by projecting hard power.

It is imperative that the German authorities ensure stable and affordable access to raw materials and natural resources in order to fuel the country's manufacturing machine, maintain its competitiveness and reputation as a reliable supplier, and provide its citizens with an optimal level of economic prosperity. As a result, Berlin has been moving gradually from its horrific past and consequent *Moralpolitik* towards a much more practical, narrower and economy-focused outlook tantamount to geo-economics (Szabo, 2016). This new conceptualization of foreign policy is characterized by the distinctive feature of national interests defined in economic terms. Correspondingly, the dominance of business, especially export-oriented business, elevates economic interests above all other types, resulting in a shift from multilateralism to selective multilateralism. In this context, Germany is willing to align with European multilateral resource diplomacy for as long as it does not harm its national energy interests.

Against such a backdrop, Berlin would not assume that over-dependence on energy imports from Russia would create any significant problems. During the 1970s and the 1980s, importing energy from Russia was deemed by German leaders as a diversification policy away from the Middle East that would mitigate the risks which rose after the two oil shocks (Westphal, 2008). Until the late 1990s, the German authorities did not subscribe to the idea of a state-centered approach which would pursue the creation of national champions, negotiations of energy deals, and the manipulation of markets.

However, following the 1998 federal elections and the coming to power of the coalition government led by Gerhard Schröder,⁶ the German disposition towards energy security underwent a significant shift because the newly-elected Chancellor's interpretation of the concept of energy security differed from the traditional market-based approach. In particular,

⁶ Mainly SPD – Social Democratic Party of Germany (*Sozialdemokratische Partei Deutschlands*) and the Greens.

Schröder believed that overdependence on energy imports called for powerful and competitive energy companies at the international level and a more assertive energy policy. In addition, he understood energy security in terms of a state mandate that should not be left solely in the hands of private players, especially when the latter were unable to provide energy security efficiently amid large infrastructure projects (Westphal, 2008).

In parallel, German industry – which traditionally plays a prominent role in national energy security – tends to consist of enterprises which, regardless of their legal form, are profit-driven (obliged by their shareholders to make money, disregarding geopolitical calculations). Effectively, despite the undeniable political and security dimensions to the energy policy, companies such as E.ON or Wintershall see the energy security landscape primarily from a commercial perspective rather than in abstract geopolitical terms. It should also be remembered that German industrialists (for example the Ost-Ausschuss and the Confederation of German Industry) have for quite some time cultivated close relationships with their Russian partners (Szabo, 2015; Annen et al., 2009).

• Energy Security *vis-à-vis* Russia

Addressing the German Bundestag in 2001, the Russian President Vladimir Putin quoted, in fluent German, the famous German historian Michael Stürmer who had stressed that “Russia and America are divided by oceans, while Russia and Germany are divided by a great history.” Putin went further, commenting that “history, like oceans, does not only separate, it also connects” (Annen et al., 2009). Moscow, as we have asserted before, is a very important partner for Germany and its reliability as an energy supplier should not be questioned, especially in terms of its intentions.

It needs to be stressed, however, that the German view of Russia has also been shaped by a long-standing belief that a cooperative approach would democratize Russia and bring it closer to the West, thereby facilitating peace and stability. For decades now, German foreign policy towards Moscow has been based on the dispositional premises of *Ostpolitik*, according to which security in Europe is better served when Russia is approached as a partner rather than as an adversary. Meister (2015) argues that this perception can be traced back to the pacification of the post-WWII German political elites as well as to German remorse for the mass murders committed by German troops on Russian soil in WW2 (Meister, 2015). The German political elites had traditionally believed that the isolation of Russia should be avoided at all costs, and that in many respects a strong Russia was a better partner than a weak Russia.

According to Chivvis, during the 2000s, the re-emergence of the con-

cept of equidistance (*Äquidistanz*) took place between Moscow and Washington. Prominent political figures within the SPD such as Martin Schulz and Peter Struck, Schröder's former minister of defense, advocated that Berlin should consider its relationships with Moscow and Washington as being of equal importance (Chivvis and Rid, 2009, p. 109). Furthermore, Schröder strongly believed not only that a strong Russia was preferable to a weak Russia, but also that the Russian state, despite all its flaws, was the only guarantee of stability in Russia. For the Social-Democrat Chancellor, a stable and therefore reliable Russia was logically crucial as an economic partner. Consequently, in 2001, Schröder published an article in *Die Zeit* (a German national weekly newspaper, considered highbrow, centrist and liberal) where he re-affirmed his preference towards unilateral policies in the name of German national interests and identified Russia as the focal point of the EU-Eastern policy. Furthermore, he labeled Germany as the "main initiator and motor of the European Union's policy towards Russia" (Timmins, 2006). Concurrently, German leaders have expected Moscow to continue playing an incremental role in the EU's energy security landscape, particularly in that of Germany. The rest of the EU seemed to take a similar view. In the opening years of the 21st century, EU-Russia energy relations reached their peak. In 2000 Romano Prodi, President of the European Commission, published a report in which he set the goal of doubling the EU gas imports from Russia by 2020 (Chow, 2013). According to German calculations, Russia would be increasingly important in the national and in the European energy mix. The benchmark for German disposition was a widespread belief that Moscow had been a reliable energy partner even during the most difficult times of the Cold War, and there was nothing to signify a change in Russian intentions.

When the 2006 gas crisis occurred, questions were raised over the security of the Russian gas supply not only in Germany but also in other European countries (Duffield, 2009). German concerns were focused on two points: firstly, whether there would be future supply disruptions in Russian gas flows that come through Ukraine; and secondly, whether Russia was even capable of discharging its supply commitments and meeting European gas needs (Chivvis and Rid, 2009, p. 109). With respect to the former, it did not mean that Berlin labeled Moscow as an untrustworthy energy partner. Following the 2006 gas crisis there were two interpretations prevailing in Europe about the nature of the crisis and the role of Russia as an energy supplier. The first interpretation suggested that Russia was an unreliable energy partner which would use energy as a political weapon, and was widely held by Central and Eastern European governments, as well as by the US leadership. Interestingly, this position was also espoused by some Germans. According to 2008 Financial Times/Harris

Polls, after the 2006 Ukraine gas crisis, 59% of Germans considered Russia to be an unreliable energy supplier and 69% preferred that their country should not import Russian gas (Abdelal, 2013, p. 435). Similarly, scholars and independent experts, such as Frank Umbach at The German Council on Foreign Relations (DGAP), expressed their concerns about the risks of German over-dependence on Russian gas, warning that Moscow might well use energy for political leverage. Again, such fears about Russia were dismissed by most political, bureaucratic and corporate elites, based on Russia's "proven track record" as a gas supplier (Duffield, 2009).

The second narrative regarding Russia proposed that the real problem was rather on the Ukrainian side because Ukraine was "troublesome" as a transit country. Among the outstanding supporters of this position was the executive leadership of the German energy companies as well as the majority of bureaucratic elites and politicians, these chiefly representing the SPD (Abdelal, 2013). In this regard, Chivvis (2009) identifies a rather abnormal degree of consensus when it comes to Russia. In general, Social Democrats tend to be more positively disposed towards Russia, whereas the conservative CDU seems more reluctant to build a close partnership with Moscow. Consequently, at one end of the spectrum, Chivvis positions politicians such as Eckart von Klæden, the then foreign-policy spokesman of the CDU, who dismissed the SPD's views of Russia as "misty-eyed" and "driven by post-Soviet phantom pain." All in all, however, as Chivvis notes, there are no fundamental differences between major German political parties' view *vis-à-vis* Russia (Chivvis and Rid, 2009).

Both narratives became more credible after the Russia-Ukraine gas crisis in 2009 that lasted 20 days and it served as a watershed for the EU energy security policy. On January 1st 2009, Gazprom cut gas supplies to Ukraine, blaming the Ukrainian state company Naftogaz of failing to pay a \$2 billion debt for gas delivered in 2008 and later accusing it for stealing gas supplies that were pipelined to Europe. The following days, gas deliveries to several European Member States were disrupted with South and East European countries taking the highest toll. Within a week, gas reductions reached 33% at the Western Balkan route and 11% at the Western Ukraine entry points. The gas crisis lasted 13 days and the death toll for the Europe mounted to 11 including 10 in Poland, where temperatures had sunk to -25C (Harding and MacLaughlin, 2009). The 2009 crisis served as one more wake-up call for all the EU states, including Germany, about the risk of over-dependence on Russian gas as well as on the Ukraine as a gas transportation route (Andres and Kofman, 2011; Annen et al., 2009, p. 5). According to Christian Hübner, Director at Konrad-Adenauer-Stiftung, the official think-tank of the Christian Democratic Union of Germany, the 2009 crisis underscored the necessity for alterna-

tive transportation routes and as a result Nord Stream 1 and 2 have become all the more important for Germany (Hübner, 2014, p. 3). In other words, Berlin sought to ensure that gas flows will remain intact despite geopolitical tensions in the Russia-EU energy relations.

It is therefore interesting to note that although there were fears about possible new gas supply disruption, Berlin did not fundamentally change its disposition towards Moscow. This may arguably demonstrate the German disposition to distance its national energy needs from the EU energy security and/or help us to identify the roots of possible supply problems with reference to the “Ukrainian lack of reliability” rather than the intentions of Moscow. All in all, it appears that existing German fears regarding security of gas supply have not been correlated with any mistrust towards Russia.

Similarly, German energy companies see Russia as a reliable, long-standing partner. One needs to keep in mind that the first Ruhrgas-Gazprom contract dates to 1973 while Wintershall and Gazprom established their first of several joint ventures in 1993. According to the Chairman of the German gas company WINGAS, *Gerhard König*, “*this relationship is based on mutual trust, understanding and close interpersonal links*”, while Ingo Neubert, Wintershall’s primary strategist, has identified no particular risk coming from Russia. The common denominator in the narrative which was adopted by German companies, even after the 2006 gas crisis, was that Gazprom (and by extension, Moscow) constituted a reliable energy partner that had always fulfilled its contractual obligations. In parallel, they interpreted the 2006 gas crisis as a commercial dispute between Russia and Ukraine that did not affect the credibility of Gazprom (Abdelal, 2013). As a result, there was a jointly held positive disposition about Moscow and the prospects of maintaining close partnership with Russian energy companies.

The main concerns on the part of the German political and corporate elites have been more technical in nature – whether Gazprom would be able to provide the necessary gas quantities to Europe despite its best intentions. Aside from exporting vast quantities of gas, Russia has been using gas for half of its domestic electricity generation, and therefore selling gas at a significant discount, thereby encouraging energy overconsumption. Additionally, the prospects of developing new natural gas fields, for example in the Yamal Peninsula or in the Shtokman in the Barents Sea, were rather gloomy. According to Stern (2009), Moscow was facing a lack of “future supply roadmap” as the three most important gas fields in Russia have been declining since the early 2000s whereas the 2001-2008 gas field development program has done nothing more than simply stabilize the total gas production (Stern, 2009, p. 2). Furthermore, the deteriorating economic conditions of Gazprom had a negative impact on the com-

pany's investment outlook (Chivvis and Rid, 2009).

The third issue regarding German dispositions that needs to be examined refers to the German conceptualization of EU energy security strategy *vis-à-vis* the Nord Stream project. Beginning from the late 1990s, the German commitment to EU integration efforts entered a new period. As Kundnani (2011) notes, after re-unification, the German political elites ceased to perceive EU integration as an existential imperative. Gradually, they identified their economic interests increasingly in national rather than European terms, predictably moving away from Kohl's Atlanticism (Kundnani, 2011). Another turning point came in 1998 when Gerhard Schröder came to power – “‘new Germans’ are democrats and Europeans out of choice and not out of necessity or due to historical reasons”, which arguably indicated the surge of national interests over the common European agenda (Timmins, 2006). This standpoint reflected a “primeval” social-democratic concern regarding security, the well-being of Germany's economy (the standing of German companies) and its export capacity (Westphal, 2008, p. 106).

Despite its strong commitment towards European integration, at least in verbal terms, at the beginning of the 2000s Germany became discontented with how the EU handled energy security and its external relations. When in 1999 the European Council published the “*EU Common Strategy on Russia*”, the adopted EU strategy was largely a disappointment in the eyes of Berlin, as the EU position did not articulate a coherent strategy towards Russia. Rather it was declaratory in nature, offering little in the way of a common denominator between the disparate agendas of the EU Member States. According to Timmins (2006), the resulting disappointment from the failure of the EU Common Strategy on Russia to articulate a solid EU stance had an important impact on the foreign policy thinking on Russia among the members of the Schröder government. As has been analyzed above, Russia was too big to be dealt with entirely within the incoherent EU framework. Consequently, Berlin started to think of its relations with the Kremlin at a bilateral level as well (Timmins, 2006, pp. 306-307).

Another milestone for the German disposition towards EU energy security came with the launch of the EU energy security debate and the publication of the 2000 Green Paper on Energy Security. Although Germany had downplayed the strategic dimension of energy security, the EU had been increasingly interested in initiating a discussion on establishing a European common strategy, especially amid increasing share of energy imports. Such plans however failed to materialize and therefore energy security remained largely in the hands of national governments. In parallel, the European Commission published the 2000 Green Paper on Energy

Security which called for the diversification of energy supply while at the same time it identified a greater dependence on Russian gas as “inevitable” and as a “testimony to exemplary stability.” This admittedly prompted adverse reactions from a number of EU Member States, which were not willing to surrender national sovereignty over their energy policies and strategies (European Commission, 2000, pp. 21-6, 48).

At the same time, there was growing German dissatisfaction with the EU energy market liberalization process, which would open the German energy market to foreign companies. Following the 1998 Energy Act, the German energy market was thrown open to competition, and this resulted in increasing pressures on domestic companies. Soon, however, Germany started criticizing the lack of reciprocity because several important EU energy markets, including the French, were reluctant to follow suit (Westphal, 2008, pp. 99-100). As a result, German thinking on energy security strategy became more hard-headed and to an extent self-contradictory: operating within the context of the European energy security strategy but at the same time outside the European framework. All in all, Berlin does not consider the EU Institutions or EU Member States as its competitors; on the contrary, it claims to support the idea of a more coherent energy strategy, yet it is rather pessimistic when it comes to the effectiveness of the EU energy cooperation, which could lead to guaranteed energy security for the Germans.

Finally, once Germany decided to proceed with the NS1 pipeline project, there was a widespread belief that the latter was indeed a European project that did not and would not undermine EU energy security. Both the German Chancellor Gerhard Schröder and his successor Angela Merkel as well as Frank-Walter Steinmeier, who served at that time as Schröder’s Chief of Cabinet and later as Minister of Foreign Affairs in Merkel’s government, have repeatedly stressed that Nord Stream was a genuinely pan-European project and they called other EU Member States to support it (Whist, 2008).

On the other hand, German energy executives viewed Nord Stream as the optimum route for gas transportation because the absence of transit fees compensated for the additional construction cost of subsea pipelines. Furthermore, the strategy of E.ON and BASF was based on demand calculations, according to which, gas demand in Belarus or Poland would remain flat and hence would not justify the additional transaction costs to be entailed if the consortium opted out of the expansion of the Yamal-Europe pipeline. In parallel, German executives were not ready to pursue a unilateral strategy which recognized the need for political support amid so sensitive an issue. Despite the prominent role that energy companies play in the national energy landscape, German energy executives clearly

saw that without the consent of and the coordination with German policy-makers, such a delicate project would face serious barriers. This should be seen, according to us, as an indirect acceptance on the part of the German energy industry of the salience of the political dimension of energy security. Likewise, it testifies to the necessity for action coordination between the German state and the German energy corporations (Abdelal, 2013).

IV. INTENTIONS – GERMANY FIRST

Following the 1998 federal elections in Germany, the new Chancellor Gerhard Schröder set a different set of goals with respect to the relations of Germany with Russia and the national energy security agenda. His intentions can be encapsulated in what is called the “Germany first policy”, which seeks to give absolute priority to national interests and to economics as opposed to shared EU goals and politics. Therefore, Schröder intended to ensure energy security for his country by ensuring the profitability of the German energy companies (Westphal, 2008, p. 117)

Schröder’s aspirations regarding energy security however departed from the traditional market-based notion on energy security that had dominated German energy policy-making for so long. All in all, the new German coalition government (the SPD and the Greens) was not solely interested in allowing German energy companies to pursue their corporate interests but instead it intended to actively contribute to the implementation of a more active energy security strategy that would help Germany to secure access to energy resources in order to mitigate risks stemming from uncertainties in the Middle East as well as from volatility in the oil markets. Towards this end, Schröder as well as other members of German government such as Frank-Walter *Steinmeier* sought a more active role for Germany that would allow further penetration of Russia and Central Asia, which also had abundant resources. The cornerstone of this approach was the establishment of the energy alliance with Moscow – an idea proposed by Vladimir Putin in 2001 (Rahr, 2007).

Facing a closely interconnected and highly competitive global political and economic landscape, Germany intended to respond to the growing challenges faced the German economy through the establishment of national energy companies that would be competitive against other energy giants. This was reflected among others with the intervention of Schröder’s close ally Alfred Hacked, from the Ministry of Economic Affairs, who finalized the merger between E.ON and Ruhrgas after it had been blocked by the Federal Cartel Office. By the same token, Schröder displayed a strong interest in securing for German energy companies a position in the Nord

Stream project (Westphal, 2008, p. 99).

Strongly committed to pursuing German economic interests, even at the expense of common EU goals and values, the SPD/Greens coalition sought to achieve specific German energy goals. In other words, German political leadership pursued a distinct national energy security strategy. What is more, Berlin did not intend to pursue its national energy agenda within a multilateral framework. Instead it opted for bilateral “special” relations with countries of great interest such as Russia or/and China. At most, as Rahr (2007) puts it, Berlin was ready to follow through “selective multilateralism” (Rahr, 2007). Hence, the Schröder government perused independence when making decisions regarding energy security choices even if/when such would be regarded as a “zero-sum game” under the EU framework.

This did not mean, of course, that the SPD/Greens government intended to sabotage the EU energy security strategy; on the contrary, Germany remained a strong supporter of closer EU integration in respect of energy security, at least in declaratory terms, yet to the extent that this would not conflict with German national interests. This was evidenced when Schröder chose to pursue closer relations with Russia when Germany held the Council Presidency, and consequently completed the negotiations on the EU Common Strategy on Russia (Timmins, 2006, p. 306).

When Angela Merkel formed her first coalition government back in 2005 (the cabinet was supported by a grand coalition between the Christian Democratic Union (CDU), the Christian Social Union of Bavaria (CSU), and the Social Democratic Party of Germany (SPD)) it was clear about its intentions regarding energy security. On the one hand, Merkel intended to pursue a more comprehensive energy agenda that would be based somewhat less on the supply of energy security and more on climate change. On the other hand, the CDU/CSU and the SPD continued its commitment to the security of energy supply. Consequently, the new government did not intend to change the basic course of action regarding energy security. This was evidenced by the decision to organize an extended Energy Summit in 2006, which called for a German “energy foreign policy” and to assign a more active role in the energy policy to the Ministry of Foreign Affairs (Duffield, 2006, p. 4286).

As for Russia, German political leadership has traditionally believed that isolation of Moscow should be avoided at all costs. Subscribing to *Ostpolitik* philosophy, Berlin intended to foster bilateral ties, to establish a closer personal relationship with Vladimir Putin, going even as far as searching for joint positions with Russia on international issues such as the 2003 Iraq War (Dettke, 2009). Such initiatives were placed in the context of establishing a special relationship with the Kremlin that would bring

economic benefits to German companies while at the same time “keeping Russia at bay” (Friedman, 2012). Like Schröder, many German politicians influential in foreign policy-making, including Foreign Minister Frank-Walter Steinmeier, expressed precisely the same intentions (Forsberg, 2016). Furthermore, according to Chivvis and Rid (2009), Germany has traditionally felt compelled not to take aggressive actions against Russia for historical reasons, a tendency that has been observed throughout the Schröder period (Chivvis and Rid, 2009). To the contrary, the German government did actually feel compelled to serve as a bridge between Russia and the West, as evidenced by the article authored by Schröder himself for *Die Zeit* back in 2002 (Timmins, 2006, pp. 305-312).

When Angela Merkel came to power in 2005, her intention was to bring “sobriety” to the German-Russian dialogue, which had been shaped by the cordial relationship between Putin and Schröder. While the new Chancellor was willing to raise German concerns with respect to Russia’s record regarding issues such as democracy and human rights, she was not willing to go too far and provoke the Kremlin by imposing sanctions. At the same time, in line with her predecessor, she recognized the importance of Russia as an economic partner and accordingly sought to bring closer commercial and economic cooperation between the two countries. As a result, after 2005 Berlin gave priority to the economic and energy dimension of the Germany-Russia relationship, which was evidenced by the construction of NS1 (Forsberg, 2016). Merkel’s Foreign Minister, Frank-Walter Steinmeier, was in fact a former chief-of-staff in the previous government and a close ally of Schröder. As such, he hoped very much to continue, and possibly deepen, the foreign policy built on *Ostpolitik* (Chivvis and Rid, 200, p. 108).

Not surprisingly, the German energy industry maintained clear intentions to foster close relations with Gazprom. Towards this end, just when Gazprom was considering alternative options for transporting gas exports to Europe, the company’s EU counterparts were considering various alternative routes. It should come as no surprise that German corporations had a preference for a northern route that would bring gas directly to Germany *via* the Baltic Sea, that is to say NS1. When it was suggested to Gazprom, E.ON, and BASF that they could choose the expansion of the Yamal-Europe route, the three firms were unwilling to undertake the high financial risk of hold-up in transit states whose gas demand was projected to stay low. Instead, they preferred a more expensive yet direct pipeline to Germany (Abdelal, 2013).

Once involved, the companies sought political support from the Schröder government because they did not want to provoke any animosities with other EU member states as well as within Germany. Consequent-

ly, the German political and corporate leaders intended to make some concessions in order to “de-securitize” the NS1 project. They were therefore ready to sell some of the gas that would reach Germany to countries in Central and Eastern Europe. This was a clear sign of the intentions on behalf of the German political and industry leadership not only to present NS1 as a corporate project that was intended to serve the EU energy security needs but also in order to integrate it as much as possible within the EU energy security strategy (Abdelal, 2013, pp. 439-442). Other than that, the German approach could perhaps be described as “take it or leave it” as Berlin clearly aimed to bring onboard other EU member states, despite any possible intra-EU objections. Not surprisingly, the German corporate community intended to maintain close energy relations with Russia even in the aftermath of the 2006 gas crisis. Despite fears about the security of supply, German energy companies did not intend to let these concerns distract from their energy plans *vis-à-vis* Russia. They indeed decided to support it before the EU institutions did. König, a member of the Board of Directors at WINGAS since 2002 and Chairman of the Management Board since 2009, was supportive towards Gazprom and he argued that:

“Just after the days of the Soviet Union, the West encouraged companies to become capitalistic. Now they act as we do. Gazprom is a company, which operates just as European and US companies do. Gazprom’s decisions are driven by the same reasoning. Gazprom’s largest shareholder does not change what Gazprom’s management aims to do: to earn profits” (Abdelal, 2013, p. 440).

By the same token, German companies were ready to align with their Russian counterparts against EU institutions in order to protect their joint corporate interests. For instance, Wingas and Gazprom appeared aligned in a meeting with the European Energy Commissioner in 2004, they discuss the issue of access to European energy markets with the representatives of the two countries pursuing a common agenda against the Commission’s plans to reduce natural gas prices on the EU border. One should also not forget that German companies sought to further penetrate the Russian market in order to exploit trade and investment opportunities. Wintershall was, for instance, involved in the development of gas fields in western Siberia in 2003. Furthermore, in April 2006, Gazprom and BASF signed a swap deal that provisioned that Gazprom would increase its stake in the Wingas energy trading arm of BASF up to 50%. Moreover, BASF, through its Wintershall subsidiary, would acquire a share of almost 25% in a large Siberian natural gas field, the Yuzhno-Russkoye deposit, one of

the largest untapped fields, with a capacity of 500 to 700 bcm, enough to cover German gas consumption for five years (Kramer, 2006; Westphal, 2008).

V. CONCLUSION

As indicated at the beginning of this paper, we have been interested in whether there is any link between NS1, understood as FPA1, and the proposed NS2, understood as another, consequential FPA2. Secondly, we enquired about the nature of this link. Again, it is our hypothesis that these two actions (FPA1 and FPA2) are interrelated and that the realization of NS1 influenced the very structural factors that led to it in a conducive manner thereby further leading to a successive FPA2, in this case a decision to support NS2. This correlation is depicted by the “reinforcement model” that we propose – Figure 1.

After extensive research, we propose that both NS1 and NS2 should be understood as interrelated actions. There seems to be no doubt that the future NS2 is correlated with the existing NS1.

As to the nature of this correlation we can confirm that to an extent the NS2 has been caused by NS1 and that therefore the model proposed by Carlsnaes should be extended to operate in a self-reinforcing manner. This approach lets us account for the complexities of energy security in Europe, but, more interestingly, it adds to our understanding with regard to foreign policy analysis.

Our research indicates that the structural dimension (especially in the domestic context) of the NS1 understood as FPA1 does indeed feed into the dispositional dimension (phase 1 of our “reinforcement model”). It is, after all, the domestic context of Germany which, being export-oriented, is in stark need of a reliable and affordable source of energy – a need that is often termed as being of “strategic importance.” As such, this structural domestic determinant influences Germany’s disposition and by extension its intentions (phase 2 of our proposed “reinforcement model”). This, according to Carlsnaes’s linear understanding, has lead Germany to finalize the NS1. Let us again remember that in the German political doctrine stable and affordable energy is understood to be a public good, and therefore one could also say that the provision thereof constitutes a major part of the German government’s legitimacy.

Now, given the international-context structural dimension (metaphysical reorientations) – the end of the cold war and consequent move from geo-politics to geo-economics, the processes of globalization and international competition, the process of European integration (with its internal

competition), and the move towards increasing gas in energy mix amid political instability in the Middle East, have all reinforced the domestic context of structural dimension for Germany (phase 4 of our proposed “reinforcement model”). What is interesting is the interplay of the two contexts (sets of determinants) in the case of NS1/NS2.

In any case, it seems logical to henceforth claim that given the reinforced structural context, Germany is even more disposed towards extending its cooperation with Russia to provide for stable and reliable energy sources, understood at this phase (phase 5 of our proposed “reinforcement model”) even more as a source of legitimacy for the German government amid (as of writing of this paper – July 2017) the forthcoming elections to the Bundestag⁷. This consequently leads to phase 6 – the reinforcement of the intentional dimension. This is evidenced by Angela Merkel’s continuation, albeit in a slightly subtler form, of the Schröder “Germany first policy”, which seeks to give absolute priority to national interests and to economics. During the debate in the European Parliament in April 2016, NS2 has been called a “killer project”, that “would kill much of what the Energy Union was intended to achieve” (Beckman, 2016). Maros Šefčovič, Vice-President of the European Commission in charge of the Energy Union project, was also very critical of NS2. “The impact of the Nord Stream2 project goes clearly beyond the legal discussions. Nord Stream 2 could alter the landscape of the EU’s gas market while not giving access to a new source of supply or a new supplier, and further increasing excess capacity from Russia to the EU. This raises concerns, and I am pretty sure this will play a role in this debate.” Moreover, as Sijbren De Jong of the The Hague Centre for Strategic Studies rightly observes: “You cannot push other EU Member States to stay firm on sanctions, yet strike a pipeline deal with the Kremlin at the same time. Italy’s Matteo Renzi was right in pointing out Germany’s double standards. Worse, the project directly contradicts every political goal agreed upon at European level concerning EU energy policy. Germany’s Ostpolitik handling of Nord Stream 2 is doing no favours for Berlin or Europe” (Sijbren, 2016; Jong, 2016).

What is also at stake on the intentional level for Germany, is the fact that once NS2 becomes approved and realized (the European Commission leans towards this solution even though the European antitrust law clearly applies) the project will bypass Central and Eastern European Countries such as Poland and Ukraine. As such, this solution will achieve at least

⁷ One should bear in mind that for years, and also during the Cold War, German “green movements” which have been staunch opponents of nuclear energy, have been financed by Soviet Union’s secret service. Against this backdrop, Merkel’s government decided to withdraw from using nuclear energy till 2022. See more at K. Appunn, ‘The history behind Germany’s nuclear phase-out.’

two strategic goals for Russia and Germany. Economically, it will allow the Russian counterpart of the project to dictate high prices of gas to Ukraine and Poland. Secondly, it will elevate the role of Germany as the major dealer of energy resources in Europe. Both of these goals, needless to say, have political ramifications (Valero, 2017).

Phase 7 of our proposed “reinforcement model” manifests itself with seemingly incomprehensible vigor, with which recently both the German and Austrian foreign ministers, Sigmar Gabriel and Sebastian Kurz, respectively, voiced their anger in a joint statement on Thursday (June 15, 2017): “We cannot, however, accept the threat of illegal extraterritorial sanctions being imposed on European companies that are participating in efforts to expand Europe’s energy supply network! [...] Political sanctions should not in any way be tied to economic interests. Threatening to impose penalties on companies in Germany, Austria and other European countries with regard to their business in the United States if they participate in, or fund, natural gas projects involving Russia, such as Nord Stream 2, impacts European-American relations in a new and very negative way. This is about the competitiveness of our energy-intensive industries, and about thousands of jobs. We therefore strongly support the efforts of the US Department of State to amend this draft bill” (Federal Foreign Office, 2017).

The above analysis naturally has its limitations. Firstly, more attention could profitably be paid to the interaction between the international and domestic contexts of the structural dimension. Secondly, the applicability of the “reinforcement model” has yet to be tested regarding other foreign policy actions. Nevertheless, our findings are already sufficiently striking to indicate that further research would certainly enrich our understanding at the theoretical level.

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