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US Gas Exporters Set to Benefit After Germany Halts Russian Pipeline

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"There are always those who will want to profit from war or the threat of war, as unscrupulous as it may seem," said one critic. "And for the American oil and gas industry there is no exception."

The U.S. fossil fuel industry is poised to benefit from an expected expansion of gas exports to Europe after German **Chancellor Olaf Scholz** on Tuesday suspended approval of the Nord Stream 2 pipeline in response to Russian military aggression toward Ukraine.

Completed in September but awaiting certification by Germany and the European Union, the Nord Stream 2 pipeline, which bypasses Ukraine by running under the Baltic Sea, could double the flow of gas from Russia to Germany.

While the $11 billion pipeline—owned by Nord Stream 2 AG, a subsidiary of Gazprom, the Russian majority state-owned energy company, with Western partners including the United Kingdom's Shell, France's Engie, and Germany's Uniper—has been criticized on ecological and geopolitical grounds, Scholz had been reluctant to connect the permitting process to deescalation efforts in Ukraine, calling it a "private sector project."

Two weeks ago, *Sludge* journalist David Moore shed light on the potential reason for Scholz's hesitancy to halt the Nord Stream 2 pipeline:

> With Russia massing its military presence along the border with Ukraine, the Kremlin could seek to weaken the international blowback by constricting gas supply delivered through pipelines in Ukraine. The result would be to ratchet up already near record-high costs for German businesses and households. Germany is projected to have enough gas in reserve for the cold months ahead and has been investing in renewable energy, and energy industry experts say it's unlikely that Russia would entirely cut off the flow of gas because of the severe economic risks to its export markets. But Russian gas accounts for about a third of German supply and over 15% of its electricity generation, making up Europe's largest gas source, so the pinch could be real.

But after Russian **President Vladimir Putin** on Monday formally recognized the independence of two separatist territories in eastern Ukraine and deployed troops to the Donbas region—a move that U.S. **President Joe Biden** said last month would spell death for the Nord Stream 2 pipeline—Scholz took steps to shut down the project.

> "We have been in close consultations with Germany overnight and welcome their announcement," White House Press Secretary Jen Psaki tweeted Tuesday. "We will be following up with our own measures today."

The Nord Stream 2 pipeline has been the subject of increased lobbying and fierce congressional debate on Capitol Hill, including last month's failed attempt, led by **Sen. Ted Cruz** (R-Texas), to hit the project with sanctions.

Now that Germany has officially pulled the plug on the Russian pipeline, U.S. fossil fuel corporations—along with Cruz and other members of Congress who are heavily invested in oil and gas companies such as Houston-based Enterprise Products—stand to profit further from increased liquefied natural gas (LNG) exports to Europe, an ongoing trend that is likely to intensify amid the conflict in Ukraine.

In an opinion piece published on Monday, Oil Change International's Andy Rowell wrote that

> "there are always those who will want to profit from war or the threat of war, as unscrupulous as it may seem. And for the American oil and gas industry there is no exception."
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> "As Ukraine and Russia stand on the brink of a potentially lethal and bloody conflict, the American Petroleum Institute and its allies have been active on social media, arguing that now is a perfect time to expand LNG exports," Rowell continued. "It is a flawed and short-sighted argument and one that will only cause more problems and chaos in the long term."

As Moore noted earlier this month, the U.S. fossil fuel industry "rushed to link domestic gas exports with European security," as seen in a recent blog post by an operative from the American Petroleum Institute—Big Oil's most powerful lobbying group—and the *Wall Street Journal*'s right-wing editorial page.

Emphasizing that Russia and the U.S. "have a decades-long history of competing over the European energy market," Guy Laron, a senior lecturer in International Relations at the Hebrew University of Jerusalem, argued two weeks ago that "the crisis plays right into the hands of American shale gas companies, which are reaping a windfall."

"American liquefied natural gas exports to Europe increased by 40% in the last quarter of 2021 and are expected to be much higher during the first quarter of 2022," he added. "American energy executives have declared in recent weeks that they were eager to replace Russian pipeline gas with American liquefied gas."

> Subtle! https://t.co/XN4DOg8Xex
>
> — Kate Aronoff (@KateAronoff) February 22, 2022

Although U.S. exports, Moore noted, “would not be enough to make up for the vast Russian supply, they would serve to develop trade channels for future shipments of fracked fossil gas to Germany.”

Despite numerous scientific warnings about the need to block new fossil fuel projects to have a chance of avoiding the most catastrophic consequences of the climate crisis, extraction is on the rise in the U.S., which is projected to become the world’s top LNG exporter in 2022.

Last decade’s drilling and fracking boom turned the Permian Basin into the “single most prolific oil and gas field” on the planet, and Congress’ decision to lift a ban on crude exports in late 2015 precipitated a massive build-out of pipelines and related infrastructure.

“Well-connected American gas companies,” stressed Moore, “are poised to capitalize on the export boom.”

Meanwhile, the U.S., U.K., and E.U. have all vowed to impose economic sanctions against Russia, heightening fears that the Kremlin might retaliate by cutting off gas supply to Europe.

In the wake of recent developments in Ukraine, oil prices surged to nearly $100 per barrel on Tuesday, the highest in more than seven years, and European gas futures spiked by as much as 13.8%.

Dmitry Medvedev, Russia’s former president and now deputy chairman of its security council, suggested that prices could double: “Welcome to the brave new world where Europeans are very soon going to pay €2.000 for 1.000 cubic meters of natural gas!” he tweeted.

According to *Reuters*, “Putin did pledge, however, that Russia would not interrupt any of its existing gas supplies.”

Rowell, for his part, argued that “there may be a case for increasing short-term LNG exports to Europe, especially if the conflict between Russia and Ukraine intensifies, but you cannot do that long term if you want to solve the climate crisis or deescalate tensions in the region. Because a Europe addicted to gas will always be vulnerable.”

“The only way to deescalate this crisis across Europe,” he added, “is to speed up the transition away from fossil fuels.”

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Featured image: 15 May 2019, Mecklenburg-Western Pomerania, Lubmin: View of the construction site of the receiving station of the Baltic Sea pipeline “Nord Stream 2” near Lubmin. The 1,200-kilometer-long gas pipeline will transport around 55 billion cubic meters of Russian natural gas from Russia to

Germany every year. The first Russian natural gas is expected to flow through the Nord Stream 2 Baltic Sea pipeline at the end of the year. So far, half the pipes have been laid. Work in Germany is concentrated on the landing site near Lubmin. Photo: Stefan Sauer/dpa

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