



Nord Stream 2

State of affairs and consequences for Ukraine

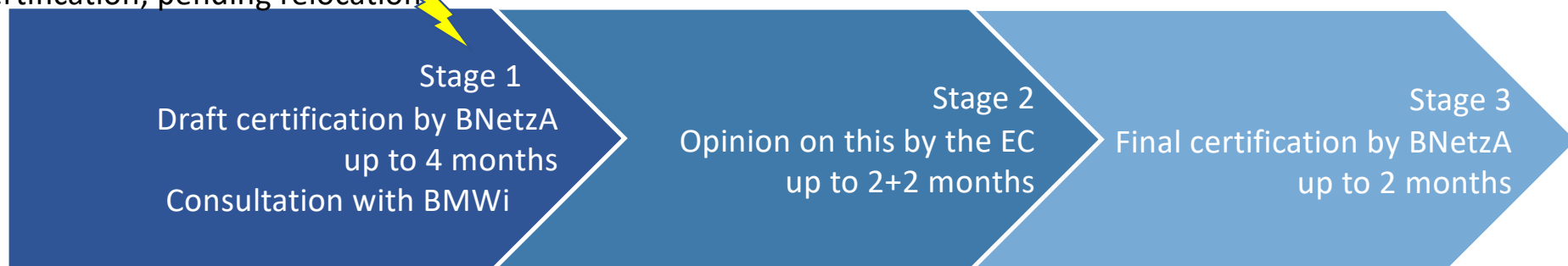
European Business Association

29/11/2021

The long and uncertain path to operational launch

1. Technical permitting for construction and operations
2. Regulatory certification
 1. Security of Supply
 2. Energy Solidarity
 3. Applicability of EU legislation and Unbundling

16/11/2021: BNetzA Suspends ITO
Certification, pending relocation



NS2 technical permitting process and construction

Start	End	
XX/09/2015		Filing of application for construction and permitting with the Swedish authorities
	18/06/2018	Granting of permitting by Swedish authorities
03/04/2017		Filing of application for construction and permitting with the Danish authorities
	30/10/2019	Danish Energy Agency grants construction permit
04/09/2015		Apparent start of BNetzA technical certification (considered in 2016/26 TYNDP)
	12/12/2017	End of consultation process (2018-2028 Netz Entwicklung Plan)
18/05/2018		Start of preparatory work for pipelaying in Germany
XX/09/2018		Start of pipelaying in Russia
	30/10/2019	Danish Energy Agency grants a permit to NS2 AG to construct a section of Danish CS
11/04/2017	21/12/2019	AllSeas starts stops pipelaying because of US bill PEESA (enacted 20/12/2019)
25/01/2019		Pipelaying resumes with Russian-owned barge Fortuna
	01/04/2019	Full capacity of EUGAL available
	15/06/2021	Line 1 of NS2 makes landfall
	10/09/2021	Line 2 of NS2 makes landfall
	18/10/2021	Line 1 of NS2 is filled with technical gas
	04/10/2021	NS2 says it is independently technically certified

Regulatory hurdles – applicability of EU directives 1/3

DATE	DESCRIPTION
28/10/2016	The EC confirms BNetzA's decision to grant OPAL an exemption from the 2nd Gas Directive. In the Directive's interpretation, Gazprom would have had to give up 50% of OPAL's capacity.
21/09/2017	In a clarification letter, the EC stated that the 2009 Gas directive did not apply to NS2
01/11/2017	The EC initiated a proposal to revise the Gas Directive to make it not applicable to pipelines from third (i.e. non-EU) countries, aiming particularly at NS2. It would apply to the portion of NS2 on German territory. This was rejected by a number of MSs
13/02/2019	A compromise between the EC, Parliament and Council agreed to revise EU gas directive to ensure that the principles of EU energy legislation apply to all *future* gas pipelines to and from third countries. That means Germany will now be in a position to seek an exemption from EU market-opening requirements as long as it doesn't hurt competition or supply.
17/04/2019	EU Directive 692/2019 In respect of gas transmission lines between a Member State and a 1/3 country completed before 23 May 2019, the Member State where the first connection point of such a transmission line with a Member State's network. This entrenched NS1 position and made NS2 subject to EU legislation. MS are responsible for granting the derogations, where applicable. In our case, Germany.
26/07/2019	Nord Stream 2 published a press release saying it had brought legal action for annulment before the General Court. Nord Stream 2 requests that Directive (EU) 2019/692 amending the EU Gas Directive
10/01/2020	NS2 asked for a derogation from German law for 20 years (sections 8 and 10, and 20 and 28 EnWG).
15/05/2020	BNetzA decided not to grant a waiver for the German portion of NS2, but it was granted for NS. This is because the NS2 would not be completely laid as at 23 May 2019. This is the deadline by which a derogation to a German law EnBW could have been granted. When/once it is put into operation, therefore, Nord Stream 2 will be subject to the regulatory requirements of the EnWG and European rules on unbundling, network access and cost regulation. This decision can be appealed

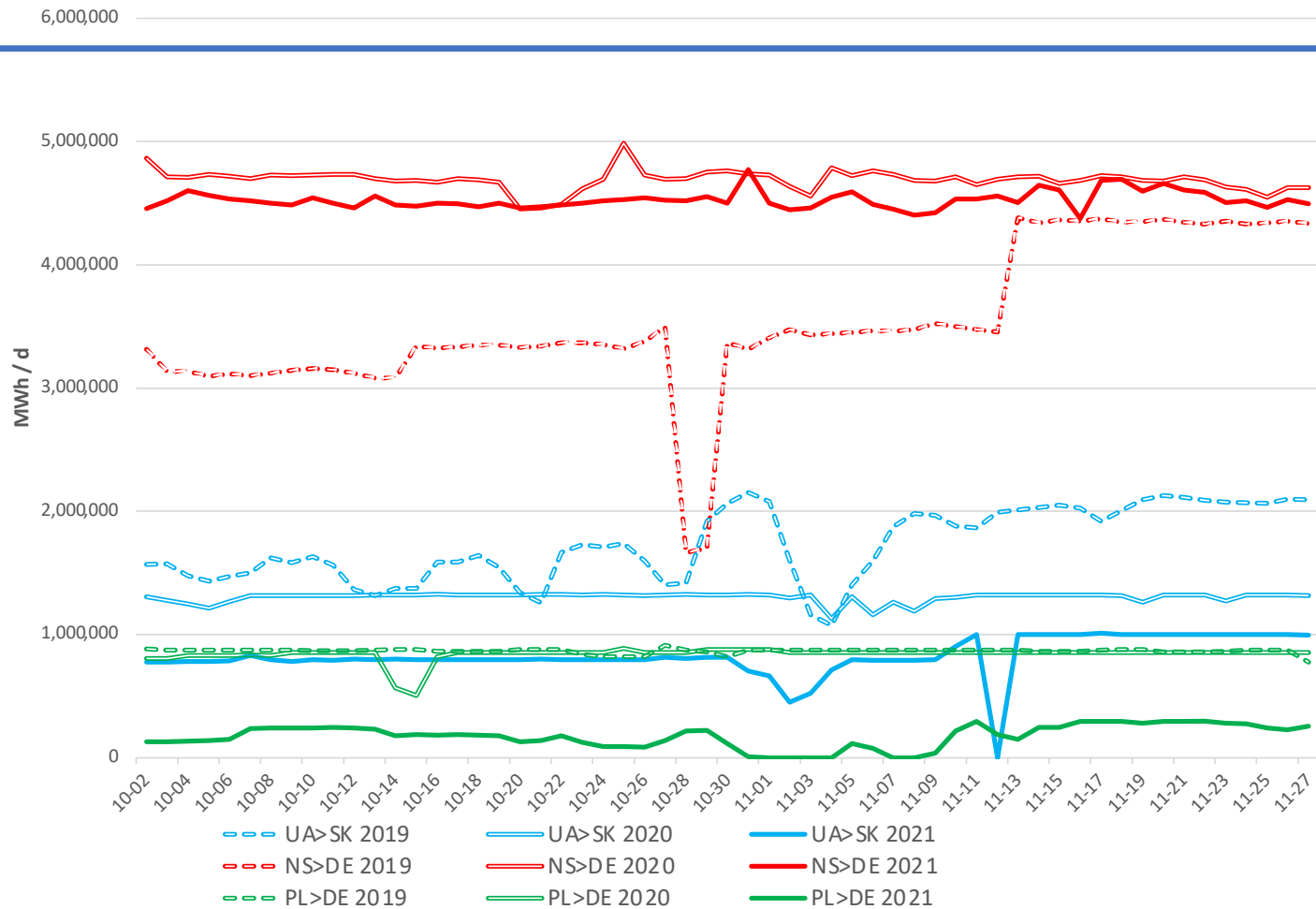
Regulatory hurdles – applicability of EU directives 2/3

DATE	DESCRIPTION
20/05/2020	The NS and NS2 challenge was rejected by the General Court of the EU, the EU's 2nd highest court. It says it was up individual member states to enforce them.
29/07/2020	Nord Stream 2 pipeline has filed an appeal against the EU general court's dismissal of the developer's challenge to the revised 2019 EU gas directive.
24/06/2021	NS2 applies for Precautionary Certification as ITO, while at the same time challenging the decision on the 2019 Amended Gas Directive
25/08/2021	The Higher Land Court of Düsseldorf (OLG) ruled that the NS2 pipeline is not exempt from EU competition rules, which in practice means there is no way to transmit only Russian state-owned Gazprom's gas through the pipeline.
02/09/2021	BNetzA recognizes the CJEU's ruling that EU energy directives had not been transposed correctly into German law and promises to address this.
26/10/2021	Start of the NS2 certification process as an ITO with BNetzA (according to §§ 10 bis 10e EnWG). It gives itself 4 months to come up with a decision.
16/11/2021	BNetzA rules that NS2's certification as an independent TSO is suspended. NS2 needs to be created as a firm under German law. Only once this is done, will the 2 month + 2 month certification procedure be allowed to proceed

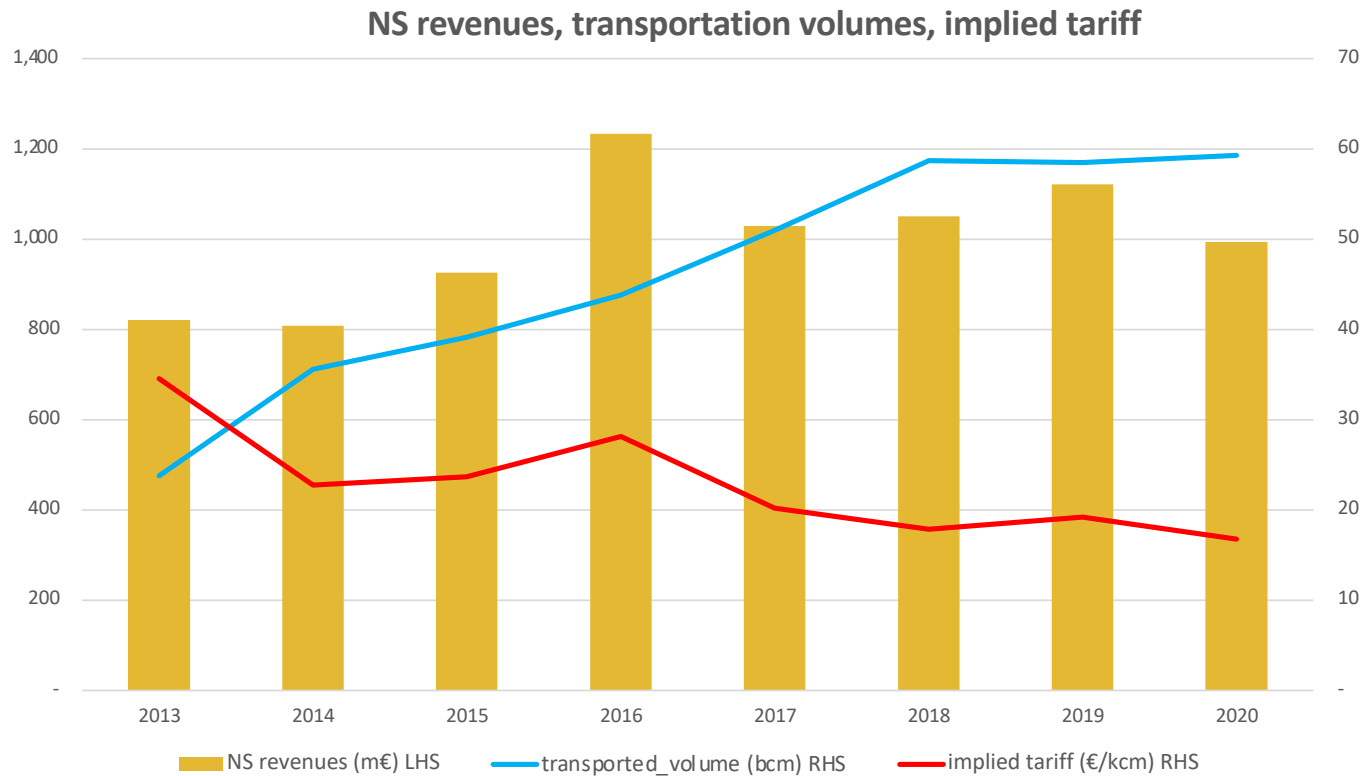
Regulatory hurdles – applicability of EU directives 3/3

DATE	Issue type	DESCRIPTION
04/09/2015	Economics	Apparent start of BNetzA certification
02/08/2017	Geopolitics	Passage of the Countering America's Adversaries Through Sanctions Act (CAATSA)
09/04/2019	Geopolitics	PEESA requires sanctions against companies laying NS2 pipes
10/09/2019	Energy Solidarity	General Court of the EU in Luxemburg (CJEU) annuls the Commission decision approving the modification of the exemption regime for the operation of the OPAL gas pipeline
30/10/2019	Technical	Permit granted by the Danish Energy Agency, which is in charge of the application, and covers a 147-km-long route section.
25/05/2021	Technical	Joe Biden waves NS2 sanctions, acknowledging that it is too late to stop
15/06/2021	Technical	line 1 of NS2 is finished
15/07/2021	Energy Solidarity	The CJEU ruled that the concept of "energy solidarity" was well-grounded in European law, rejecting Germany's argument that energy solidarity is merely a political concept.
23/09/2021	Energy Solidarity	PGNiG admitted to take part in the NS2 certification proceedings
10/09/2021	Technical	Line 2 of NS2 is finished
04/10/2021	Technical	NS2 Certification by an unknown certification agency
26/10/2021	SoS	The Economic Affairs Ministry (BMWi) comes to the conclusion that the issuing of the certification does not endanger the security of gas supply in the Federal Republic of Germany and the European Union.
15/11/2021	Economics	BNetzA consults with Naftogaz and GTSO UA. They have 1 month to assess the economic effect of NS2 on them.

Comparative NS transit flows - Oct./Nov. 2019 - 2021



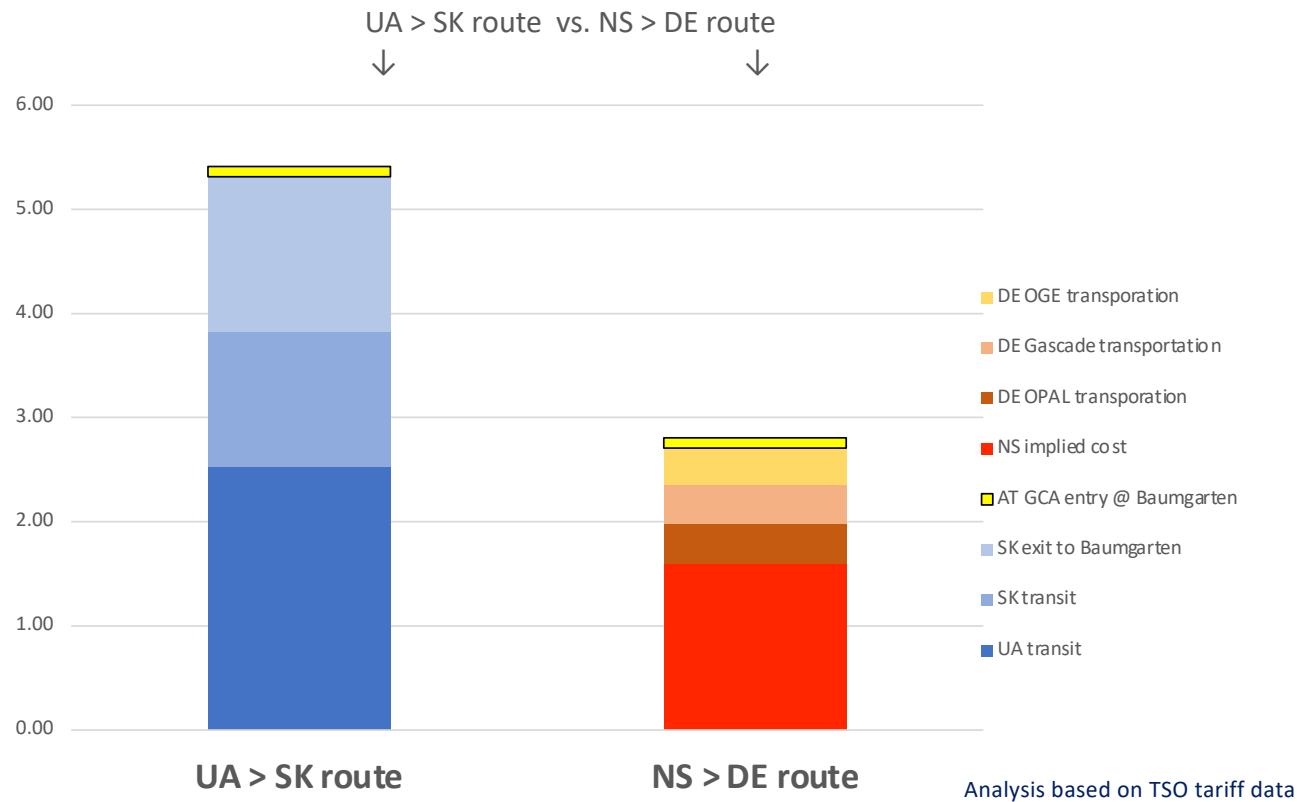
NS revenues and flows



Analysis based on Gazprom data

Comparative costs of shipping to Baumgarten

(€/MWh – firm yearly shipping)



Going forward

- Short-term : effect of the entry of the Greens in the government on the NS2 project is difficult to assess: desire to exit coal by 2030 vs. refusal to cement the role of gas for the next decade by authorizing an additional pipeline.
- Medium-term: the criteria for applying the legal concept of Energy Solidarity will need to be defined. The decision of BNetzA and its transcription of EU energy legislation will have consequences beyond 2024.
- Long term: EU gas demand is forecast to increase by 120 bcm by 2035 relative to 2019. The economics of the Ukrainian route will weigh on the choices of shippers.



Thanks !

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