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Germany's Response towards Russia-Ukraine Conflict

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Abstract: *The Russia-Ukraine war has had a profound impact on energy security in Europe, with Germany facing unique challenges and opportunities as one of the largest energy consumers in the region. This case study examines the implications of the conflict on energy security, focusing on Germany's response. It analyzes the reasons behind Germany's support for the project, such as diversification of energy sources, economic interests, and political influence. It also delves into the concerns raised by the European Union and the United States regarding the project's impact on energy diversification, geopolitical dynamics, and the interests of Eastern European countries. The findings contribute to the understanding of energy security dynamics and offer valuable insights for policymakers, energy experts, and stakeholders involved in shaping resilient and sustainable energy systems amidst geopolitical uncertainties.*

Key Words: Russian-Ukrain conflict, Germany, Energy sector, Challenges, Opportunities.

Introduction

Energy security in Europe has been significantly impacted by the Russia-Ukraine conflict, especially in nations that buy a lot of natural gas from Russia. The annexation of Crimea by Russia in 2014 sparked this war, which has increased worries about disruptions to the energy supply and geopolitical tensions in the area. As one of the biggest energy users in Europe and a significant participant in the EU, Germany has had particular possibilities and challenges when managing the intricate dynamics of energy security in the wake of the conflict. Germany, an industrialized nation, places a great premium on energy security, and any setback in this area will seriously undermine the nation's economic stability and security. Germany has learned from Russia's battles with governments in Eastern Europe, the European Union, and NATO after the fall of the Soviet Union that energy security is precarious due to the high potential for conflict between the two regions. Consequently, the German government signed the Nord Stream 2 project with Russia despite strong opposition from some European Union and US members due to fear that if the countries of Ukraine, Belarus, and Poland were to disrupt the flow of Russian natural gas to the EU, there would be a shortage of energy to meet the needs of its members. The goal of this project is to transport Russian gas across 1200 kilometres via two pipelines from the port city of Ust-Luga in Germany

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to the port city of Greifswald in Germany via the Baltic Sea. These pipelines can carry roughly 55 billion cubic meters of gas annually. This pipeline can deliver the 110 billion cubic meters of gas that Europe needs, which makes up a significant portion of the gas that Europe gets from Russia, together with the Nord Stream 1 pipeline alone. The Nord Stream 2 project was supposed to transport Russian gas directly to Germany without any intermediaries, but due to the potential impact on the security and interests of some members of the European Union and the United States, it was halted and ultimately sanctioned in response to Russia's invasion of Ukraine in February 2022. As a result, there are conflicts of interest between Russia and the United States, Germany and Germany, and some member states of the European Union. Germany's support for this project stems primarily from the European Union and NATO, which are working to promote Germany's energy leadership and turn it into a political and economic energy hub within the EU, stabilize Germany's standing and economic and political influence in Russia, and end price fluctuations for final gas transit. The main reasons for Russia's support of the Nord Stream 2 project are as follows: it will diversify its energy transfer policy from Russia to Europe due to the high capacity of non-transit energy transfer from third countries to Germany; it will earn enormous revenues from gas exports given Russia's reliance on oil and gas revenues; and it will give Russia a powerful tool to counter the anti-Russian policies of Eastern European countries, as well as the United States and Western institutions. However, the main reasons why some European Union members, particularly Poland, Estonia, Latvia, Lithuania, and the US, oppose the Nord Stream 2 project are because of the EU's increased reliance on Russian energy, worries about Russia using this project as leverage, the loss of income from gas transit, the disregard for Poland and Ukraine's crucial role in transferring Russian gas to Europe and reducing their influence over Russia, the impact of this project on US sanctions and goals against Russia, and this country's economic interests in the European energy market. (Szulecki & Overland,2023).

Germany, Russia, and Ukraine

Germany serves as an example. Maybe the case study of a middle-class Western nation that, in the late 20th century, gambled on globalization and interdependence to the farthest extent possible, outsourcing its energy requirements to Russia, its security to the United States, and its export-led economy to China. Now, in the early 21st century, with great power competition and an increased weaponization of interdependence by both allies and rivals, it finds itself painfully exposed. Germany's exposure is further increased by the ongoing conflict in Ukraine, which affects nearly all of its bilateral, regional, and international interests. Few of my fellow residents are aware that this awful fight is occurring in the area that was formerly part of the "Bloodlands," where tens of millions of people were massacred by Hitler and, to a lesser extent, Stalin. (Ostrowski, 2020).

For the majority of the three decades following Germany's reunification in 1990, Berlin viewed Beijing and Moscow as trustworthy strategic allies in a two-way agreement: Germany would import cheap energy and export good governance in a manner similar to how Eastern Europe had changed after joining NATO and the EU. In the end, German policymakers believed that this would change the political and economic structures of these nations. In an effort to restructure West Germany's Cold War Ostpolitik for a united Germany in the middle of Europe, they also thought that

Russia should be incorporated in a pan-European security architecture that included NATO and the European Union. (Szabo, 2014). For its part, the Kremlin considered Germany as a strategic bridgehead into Europe, a friend, and a collaborator, in part because Germany imported around one-third of its gas and oil from Russia. For a while, the German-Moscow "modernization partnership" was quite successful commercially, but it ultimately failed in all other respects. Political reform was elusive, and economic integration proved to be strictly restrictive since many German enterprises suffered from organized crime and corruption. (Vihma & Wigell, 2016).

Historians will have to decide exactly when Germany's relations with Russia began to swiftly deteriorate, but it is safe to conclude that it did so following Putin's aggressive statement in Munich in 2007. Numerous events in the German political class led to a pessimistic reevaluation of relations with Moscow, including the Russo-Georgian war in August 2008, Russia's annexation of Crimea, its proxy war in Ukraine, its support of the extreme right in Germany, its disinformation and propaganda operations on social media, the 2015 hack of the Bundestag servers, its meddling in the 2017 election campaign, the 2019 murder of a Chechen political refugee in Berlin, the 2020 attempted murder of Russian opposition politician Alexei Navalny, Moscow's backing for the brutal crackdowns on large-scale demonstrations in Belarus, as well as its aggressive meddling in Syria and elsewhere (Ostrowski, 2020).

In retrospect, not nearly enough, but nonetheless major consequences, occurred. In 2014, Berlin formally terminated its "strategic relationship" with Russia. It paid a genuine economic price for its crucial role in putting together the European sanctions consensus. Merkel vigorously supported the succeeding rounds of EU sanctions; she brought Navalny to Berlin for treatment and angrily denounced the Kremlin's attempt at assassination. In order to encourage change, the German Foreign Ministry established a special task force for Ukraine and provided several billion euros in aid to Kyiv between 2014 and 2022. However, it turned out that the concerns from Eastern Europe regarding Berlin's insistence on upholding multilateral diplomatic procedures such as the Normandy and Minsk processes—along with Paris—were correct. Their involvement by the Kremlin was a theatrical charade; Germany did not accept its proposals of de-escalation or "off-ramps." (Szulecki & Overland,2023).

In the meantime, the German-Russian energy relationship held steady. Even after the takeover of Crimea, German gas storage facilities were sold to Gazprom by Sigmar Gabriel, the then-minister of economics. Merkel also resisted calls to halt the Gazprom pipeline project Nord Stream 2, which would have avoided using transit routes through Poland and Ukraine in order to deliver Russian natural gas to Germany, even though she was under pressure to do so from both the Trump and Biden administrations (Lehne, 2023).

The Merkel era came to an end in the September 2021 elections, when Greens and Liberals formed the first-ever "traffic light" coalition led by Social Democrat Olaf Scholz, the chancellor. However, they didn't immediately improve the connection in any way. The coalition agreement reached in December concealed significant differences between the three parties over Russia, Ukraine, and energy security, despite being considerably harsher toward Russia and more pro-Eastern Europe and pro-Ukraine. When Scholz visited Washington in early February, the Kremlin had already started to gather around 100,000 troops along

Ukraine's borders. Scholz declined to answer requests for Nord Stream 2 to be cancelled. This is in spite of the fact that the previous summer, President Biden personally vetoed a bipartisan sanctions package against the project, so offering Germany a significant boost in confidence. Three days after the invasion began, on Sunday, February 27, Scholz made history by declaring that Germany had reached a turning point, or Zeitenwende. The chancellor declared that Germany would now stick to its pledge to dedicate two percent of its GDP to defence, accelerate the country's transition away from Russian energy, construct two new terminals for liquid natural gas, purchase armed drones, commit to nuclear participation, and send additional troops to bolster NATO's eastern flank. The effect on public sentiment in a country that has a well-earned reputation for being cautious and for outsourcing security risks and expenses to its friends and neighbours was astounding. A later nationwide survey showed a 13% increase in Scholz's popularity. Ninety percent of those surveyed said Russia was unreliable. Eighty percent of respondents said Berlin's actions were appropriate or even more severe. Even if his choices caused Germany to experience energy shortages, inflation, or business loss, two-thirds of voters agreed with him. NATO is crucial for maintaining peace in Europe, according to four out of five respondents. (Szulecki & Overland,2023).

Russia-Ukraine War

The war has its origins in Ukraine's independence movement and its historical connections to Russia. Ukraine became independent in 1991 as a result of the fall of the Soviet Union. Nonetheless, it maintained strong cultural, political, and economic ties to Russia.

Euromaidan Protests and Crimea Crisis

When unrest erupted in Kiev's Maidan Nezalezhnosti (Independence Square) in November 2013, Ukraine was thrust into a serious political crisis. In the European Union (EU), the primary demand is growing. Following the Ukrainian government's rejection of an EU association deal, the demonstrations—known as the Euromaidan movement—grew more intense. The situation worsened in February 2014 when demonstrators and security forces started fighting, leaving many people dead. After President Viktor Yanukovych left the nation, a provisional administration was established. In March 2014, amid political unrest, Russia annexed Crimea under the guise of defending ethnic Russians and Russian-speaking people. In addition to being strongly denounced by the international community, the annexation increased tensions between Russia and Ukraine. (Szulecki & Overland,2023).

Separatist Movements in Eastern Ukraine

Pro-Russian separatist movements emerged in the eastern Ukrainian regions of Donetsk and Luhansk following the invasion of Crimea. The goal of these movements was to either join Russia or secede from Ukraine and form separate entities. In May 2014, the separatists in Donetsk and Luhansk declared "people's republics" and conducted referendums, but the Ukrainian government and the majority of the international community did not recognize their results. (Lehne, 2023).

Conflict Escalation

A protracted armed conflict resulted from the Ukrainian government's military operations to retake control of the separatist-held territory. Pro-Russian separatists, the

Ukrainian armed forces, and Russian military assistance were all parties to the battle. Although Russia denies any direct military engagement and characterizes its involvement as restricted to defending ethnic Russians, it has been accused of supplying military aid, training, and direct involvement in the fight. (Szulecki & Overland,2023).

Minsk Agreements

To reduce the intensity of the fighting, numerous cease-fires and peace accords were signed. The September 2014 Minsk Protocol and the February 2015 Minsk II Agreement were the two most important agreements. The Presidents of France, Germany, Russia, and Ukraine mediated these agreements. The goals of the Minsk Agreements were to bring about a truce, remove heavy weaponry, permit international observation, and start a political conversation in order to find a peaceful solution. But a long-lasting settlement has been hampered by ceasefire violations and a lack of progress in putting the agreements into practice (Lehne, 2023).

Humanitarian Crisis and International Response

There is a serious humanitarian crisis as a result of the conflict. Millions of people have lost their houses and thousands of people have died. Human rights violations, including the targeting of infrastructure and civilians, have been levelled on both sides.

Russia has been subject to sanctions by the international community, which includes the US, the EU, and other nations, in response to its activities in Crimea and eastern Ukraine. There have been continuous diplomatic attempts to find a peaceful solution, like as the Trilateral Contact Group and the Normandy Format (involving Germany, France, Russia, and Ukraine). (Szulecki & Overland, 2023).

Ongoing War in Ukraine

Following months of intensive surveillance, observations of Russian troop movements, force concentration, and military contingency funding, the White House was briefed on an impending large-scale Russian invasion of Ukraine in October 2021. The US tried to persuade allies to act in a preventative manner. President Vladimir Putin of Russia gave the go-ahead for a special military operation, and on February 24, 2022, Russian forces invaded Ukraine, taking the nation mostly off guard. Putin asserted that the operation's objectives were to denazify and demilitarize Ukraine and put an end to the purported Russian genocide on Ukrainian territory (Szulecki & Overland, 2023).

The Joe Biden administration made the decision to loosen restrictions on information sharing prior to the war, share intelligence with allies like Ukraine, and make findings available to the public. The goals of this approach were to discourage Russian attacks and bolster NATO defences. There has been no official explanation from Russia on the movement of armour, missiles, and heavy armament toward Ukraine, as evidenced by satellite imagery, social media posts, and published intelligence from late 2021. More than 100,000 Russian troops were stationed close to the Russia-Ukraine border by the end of 2021, and American intelligence agencies warned of an imminent invasion in the first months of 2022. Russia's foreign ministry asked in December 2021 that NATO and the US stop their military actions in Eastern Europe and Central Asia, promise to stop expanding NATO toward Russia, and keep Ukraine from joining NATO. Rejecting these requests, the US and its partners in NATO warned to impose harsh economic penalties

should Russia engage aggressively against Ukraine. (Lehne, 2023).

The greatest Russian force buildup close to the Belarusian border since the end of the Cold War was seen in early February 2022, according to satellite photography. Resolutions to the conflict between the US, Russia, France, Germany, and other European nations were not reached through negotiations. The US issued a warning about Russia's planned invasion of Ukraine by the end of February 2022, noting the country's increasing military posture along the border. With the justification that they were performing "peacekeeping" duties, President Putin subsequently gave the order to send soldiers to Luhansk and Donetsk. A few days later, the US retaliated by placing sanctions on the areas and the Nord Stream 2 gas pipeline. But prior to the invasion, American and Ukrainian authorities had different opinions about the kind and probability of an armed Russian threat; Ukrainian officials played down the danger of an invasion and postponed mobilizing their reserves and forces. In an attempt to deter Russia from attacking Ukraine, the UN Security Council made a last-ditch effort on February 24, 2022, when Putin declared a full-scale invasion of the country by land, sea, and air, targeting Ukrainian military targets and cities all around the nation. Along with his European partners, U.S. President Joe Biden denounced the strike as unwarranted and unjustified and slapped heavy penalties on senior Kremlin figures, including Russian Foreign Minister Sergey Lavrov and Putin, four significant Russian banks, and the country's oil and gas sector. In an emergency meeting of the UN General Assembly on March 2, 2022, 141 of the 193 member states voted against Russia's invasion of Ukraine and demanded that it leave the country immediately. (Lehne, 2023).

Ukraine has also experienced a considerable increase in cyberattacks since the invasion of Crimea in 2014. Following an attack on companies that generate electricity, about 225,000 people in Ukraine had a widespread power outage in December 2015. An identical attack on a Ukrainian utility provider resulted in another power outage in several areas of Kiev in December 2016. A cyber attack known as NotPetya, which was blamed on Russia, struck Ukraine's government and commercial computer networks in June 2017 and caused significant global harm. Distributed denial-of-service assaults were launched against the websites of the Ukrainian government in February 2022, coinciding with the Russian invasion. The targets included the ministries of defence and interior, banks, and other related entities. (Szulecki & Overland, 2023).

The Ukraine-Russia Conflict and Energy Security in Europe

Implications of Nord Stream 2

Poland, Estonia, Latvia, Lithuania, Ukraine, the European Parliament, a few non-governmental organizations, and the US were among those opposed to the pipeline. In this resistance, the United States took up a de facto leadership role during both the Trump and Biden administrations. As tensions between the USA and Russia increased, the situation grew extremely explosive and presented the German government with a difficult political choice. The European Commission, Bundesnetzagentur, and courts were among the official regulatory and judicial agencies tasked with monitoring and deciding matters pertaining to the pipeline. Nonetheless, a pivotal and paradoxical role was played by the Federal Republic of Germany (FRG) in this narrative. The common justification for Germany's backing of Nord Stream 2 is based on reasonable

material interests. This viewpoint takes into account things like the availability of energy resources, financial benefits, the environment's benefits over coal and oil, and the impression of lessened tensions with Russia. These interests made the project feasible in spite of external resistance. An alternative interpretation centres on bilateral identity politics, positing that there existed a "special relationship" between Germany and Russia, characterized by shared understandings, linkages, and obligations on the German side. Russia positioned itself as economically liberal to satisfy EU norms, despite its growing illiberal political behaviour, and it obtained direct and indirect backing from German politicians, industry associations, and a sizable percentage of the public. (Szulecki & Overland,2023).

The project's supporters miscalculated its consequences for foreign and security policy, especially when it came to how it would affect several states and their territories. Others chose to overlook or put up with Russian behaviour. The situation was made more difficult by the recent hostility that exists between Germany and the USA. This article highlights the compatibility of these variables, arguing that Nord Stream 2 was motivated and supported by both economic considerations and a distinct sort of identity politics. The institutional, security, and reputational aspects of Germany's admirable contributions to transatlantic relations, stability, prosperity, and European integration were jeopardized by this assistance, though. Germany's connections with other impacted states and with Russia as a whole are inextricably linked to both Nord Stream 2 and Europe's overall energy security, as well as its geopolitical and environmental security. Particularly in light of Russia's aggressive actions, such policy inconsistency is incompatible with the FRG's constitution, commitments to international law, rule of law values, and attempts to combat authoritarianism. (Szulecki & Overland, 2023). Nord Stream 2 was suspended due to realist views and normative impulses from both Germany and other countries. With this choice, the administration of Vladimir Putin was no longer tolerated, and a stance completely opposed to extreme pressure was adopted. The political and commercial-industrial sectors in Germany were profoundly affected by the news of Putin's impending invasion of Ukraine, which eventually undermined support for the completed pipeline. The assault on Ukraine brought to light the shortcomings in Germany's support for Nord Stream 2 and its overall approach to Russia. Even though Germany was more severely impacted by the "energy crisis" than other EU countries, the military geopolitics led to a substantial shift in German attitudes.

The idea that Nord Stream 2 was only a privately funded commercial project with no financial impact on German taxpayers is refuted by another point of contention. The assertion is implausible due to the involvement of the Russian state, which owns Gazprom, public funding of German state sector activity in negotiations and assistance, and the following bailouts and compensation for damaged German enterprises. One example of why these kinds of projects are "never just business" is Nord Stream 2. It featured economic connections and energy infrastructure between an authoritarian state that devolved into tyranny and waged war against a neighbouring country and a model liberal-democratic state. (Lehne, 2023).

Germany: Closer alliance with the US in the EU

In the 2000s, Europe faced an increasing risk to its security strategy due to Russia's

expanding influence and active geopolitical presence. The Baltic states and Poland34 are the most severely impacted nations, and they take the Russian threat extremely seriously due to their unique geography and characteristics. Brzezinski claims that Germany regularly toyed with the Bismarck-like notion of forging a special relationship with Russia, which would unavoidably terrify some Eastern European nations and spur them to establish even closer security cooperation with the United States (Virág, A. & Tancsa, G., 2023). This flat landmass, which stretches from Northeast Germany to the Ural Mountains and includes Denmark, is challenging to defend from the standpoint of traditional military strategy. This is significant in light of Russian and European geopolitical reasoning as well as historical precedents, and it portends certain security policy risks for both Russia and the nations of Northeast Europe. In these nations, Nord Stream 2 held significance beyond its own as a representation of German-Russian collaboration and Russia's European positions. (Vosoughi & Mousaei, 2022). Since a significant portion of the pipeline crosses the territorial waters of Finland, Sweden, and Denmark and flows beneath the Baltic Sea, approvals from these nations' regulatory bodies were required before any pipe could be laid. Of all the countries along Nord Stream 2's path, Denmark was the one that contributed most to the project's delay by refusing to issue the permissions needed to begin building on its territorial waters. Denmark essentially blocked the pipe-laying process' advancement by doing this, which may be seen as a protest of Russia's advances in the geopolitical sphere and in the natural gas market. (Congressional Research Service., 2021).

The Baltic region has been a major focus of Gazprom's recent infrastructure development efforts in Europe, as evidenced by the Nord Stream 1 and 2 projects, which have increased Russian interest in the region. Given these countries' historically tense political ties with Russia, one can understand their ambitions to obstruct the project even more, but the reality remains that they lack the resources necessary to carry out these goals on their own. Without a doubt, Nord Stream 2 was bad for Poland's economy; Poland would lose out on these profits totally or receive less transit fees as a result of the Yamal Europe pipeline passing through the nation taking on a less important function. Keeping these things in mind, Warsaw has been actively working over the past few years to diversify its supply sources and lessen its need for Russian imports by taking advantage of the potential of liquefied natural gas. The United States was Poland's main ally in this project, and the Polish LNG terminal on the Baltic Sea provides an excellent entry point to the European gas markets (Ruszel 2020). In the Baltic states, there has been a noticeable trend in recent years toward diversification with the goal of breaking away from the Russian-dominated gas supply system. LNG enables these objectives to be met. Lithuania is a prime example of this tendency, having started building a so-called Floating Storage and Regasification Unit (FSRU) in 2014 (Virág & Tancsa, 2023).

In addition to devoting substantial resources to maximizing LNG's potential, the Baltic states and other Northern European nations launched a new pipeline project with the goal of boosting intra-regional gas commerce. By transporting fuel that was initially from Norwegian fields to Poland, the Baltic Pipe opened up a new gas corridor in the area. It travels from Denmark to Poland. On November 30, 2022, the pipeline—which has an annual capacity of 10 billion cubic meters—went into service (Virág, & Tancsa, 2023). The invasion of

Ukraine served as more confirmation of the long-standing worries Poland and the Baltic states had about Russia. All of this strengthened Poland's already strong collaboration with the United States and the Euro-Atlantic alliance, which is unique in importance even among European nations. These inclinations are a result of the desire to prevent Russia from gaining a foothold, and the US and Poland have geostrategic interests in seeing these goals through to fruition. Since the aforementioned countries were against the project from the beginning, it is clear that the war's aftermath has resulted in the suspension of the Nord Stream 2 pipeline's ongoing certification procedure. Given the natural gas market, the current state of affairs encourages diversification efforts and provides support for the claim that it is critical to strengthen European gas supply independence from Russia. The Baltic Pipe project has been restarted after being previously shelved because of environmental concerns (Congressional Research Service, 2021).

Germany and EU Gas Market Developments

Germany has a long history of compartmentalizing its gas connections with Russia, which is supported by a market-based strategy and the desire to "de-politicize" the pipeline. Since the project's inception in 2015, the German government has evaluated it via regulatory and economic lenses, sharing the belief that Nord Stream 2 will increase market flexibility and liquidity. There are serious concerns about the proposal among the security and foreign policy circles, including those of the coalition parties. In order to reach an agreement inside the EU and evaluate the project's effects on transatlantic relations and security, there are now more requests than ever to put an end to it. However, the economic and legal framework is already in place. Over the past ten years, the market system has favoured EU consumers; yet, this hasn't altered the reality that Europe is the market of last resort for liquefied natural gas (LNG), nor the dominance of three major pipeline suppliers: Russia, Norway, and Algeria. Russia's Gazprom is examining its market position in the current competitive environment, not only to take advantage of high prices but also to further its long-term goal of retaining a thirty percent market share in the EU and supporting the "Northern route" that runs from Bovanenkovo through the Baltic Sea and into North-West Europe. With favourable and predictable travel conditions, this is the shortest route—at least for most of its unregulated stretches. In comparison to other routes, it also reduces Russia's own rents and revenue sources. But in the summer of 2021, a bad spiral of self-fulfilling prophecies appeared to be taking place. A classic energy security conundrum has ensnared Nord Stream 2, with all parties pursuing their security interests and bracing for the worst. Germany is in a challenging situation. It appeared inevitable that Russia and the US would conflict over the German gas market. There were more twists in the end that favoured Russia's Gazprom. As the EU gas market transitioned from an oversupplied to a tight market during the first half of 2021, supply security became a growing source of concern. A buyers' market that was predicted to endure past 2025 was brought about by ten years of comparatively cheap gas costs as well as the price collapse brought on by COVID-19 in 2020. This favoured robust regulations and market competition in the EU. However, as the market becomes more competitive and providers gain more clout, this has recently altered. Gas supplies are limited due to the convergence of several variables. The heating season in Germany and other places

was extended by the cold temperatures that persisted from February to May of 2021. However, because LNG was eighty percent more expensive in Asia than in the EU, it was diverted there, or it never made it to Europe at all, as US LNG shipments fell by two-thirds in February 2021 (Shagina & Westphal, 2021). This cleared out gas storage facilities across Europe. Heat waves in North America increased demand for energy, and LNG consumption soared in Asia. Over the past few years, Norway's gas deliveries have fallen as a result of maintenance that was delayed during the epidemic. Additionally, Europe's gas production has consistently decreased. In contrast to $2 per MMBtu in June 2020, spot market prices and forward contract prices for the upcoming winter jumped to over €30/MWh by the end of June 2021, or $11 per mmbtu. Day-ahead prices in Germany even reached €37.75/MWh in early July. Prices exceeded the records set in 2008. Overall, there were worries about the approaching winter throughout the second quarter of 2021. Consequently, careful observation has been made of Gazprom's supplies. Despite the fact that the firm claims record sales to Europe, experts note that deliveries are over 20 percent lower than they were in 2019 (prior to Covid). In this regard, Gazprom's decision not to reserve more interruptive transport capacity this summer caused the market to react cautiously. An arrangement between Gazprom and Naftogaz for the management of gas transit is also a component of the December 30, 2019, trilateral political deal between Russia, Ukraine, and the EU that avoided a gas crisis at the last minute (Aram & Kim, 2023).

In light of this, Naftogaz books annual transport capacity for Russian gas at 65 billion cubic meters per year (bcm/y) for 2020 and 40 bcm/y for the years 2021–2024 in exchange for a $7.2 billion payment from Gazprom (Shagina & Westphal, 2021). Since it was anticipated that Nord Stream 2 would be finished by 2020, capacity was decreased in the contract as of 2021. However, US sanctions made this impossible. Since the ship-or-pay arrangement is based on daily calculations of 178 million cubic meters per day (mcm/d) in 2020 and 110 mcm/d for 2021–2024, it does not offer seasonal flexibility. Furthermore, from February 2021, the Ukrainian Gas Transmission System Operator (GTSOU) has made a firm capacity offer of 15 mcm/d available for monthly contracts; Gazprom has regularly taken advantage of this offer. However, the extra 63.7 mcm/d of interruptible capacity that GTSOU has been providing since May 2021 has been apparent. Despite the expectation that Gazprom would reserve the latter due to price rises, this has not happened. The volumes for the Sudzha and Sokhranivka interconnection sites are compliant with the interconnection agreement with Gazprom, according to GTSOU. It is not obvious why the interruptible capacity is not provided at a discounted charge as they generally are and why the additional firm volumes have been restricted to that level after 2020. Moscow and Kyiv have started a blame-and-shame game. In any event, due to repair work on Yamal from July 6 to 10, and on Nord Stream 1 from July 13 to 23, 2 billion cubic meters less gas arrived from Russia in July 2021. Furthermore, Gazprom appears to be planning for a late launch date for Nord Stream 2 as it has not reserved any yearly capacities through Poland's Yamal. Furthermore, compared to prior years, just 50% of Germany's gas storage facilities remain. Compared to other years, the enormous storage facilities run by Gazprom's subsidiary Astora in Rehden, Jemgum, and Haidach, Austria, are largely deserted. Furthermore, it is clear that the gas stored in these facilities was used to fulfil

delivery commitments during the summer. The exceptionally low stock levels in the south will serve as an early test for the new German market region, which is scheduled to launch on October 1, 2021. The final element of the jigsaw has to do with Europe's gas costs, which are at an all-time high of thirteen years. Future winter gas prices at major trade hubs are either slightly lower than summer and spot prices (backwardation) or remain at the same level. Due to traders' lack of motivation to plan for supply security out of their own pockets—especially after a year of loss in 2020—the low storage is a result of the nonexistent summer-winter spread. While there are no indications that Gazprom is not meeting its end of long-term delivery contracts, it appears that it is not willing to supply interim supplies. With prices so high, Gazprom might make forty-three percent more money in 2021 than it did in 2020—all without growing its output. As of mid-July 2021, it appears that supply security will become a problem for this autumn and winter. LNG supplies aid in diversification for the EU, but they have a high cost and a long lead time. Asia is predicted to have strong LNG demand well into the upcoming year. Severe price surges throughout the winter may follow since European storages often play a significant role in maintaining the global market's equilibrium. Asia lacks substantial storage infrastructure. All things considered, it appears that a lot of traders are placing bets on Nord Stream 2 going live before year's end. They believe that the pipeline will have a price-dampening effect and improve Northwest Europe's supply situation. Ultimately, the market is starting to move in Russia's favour. In an effort to stop gas from returning to Ukraine, Russia previously curtailed supplies during the winter of 2014–2015. It's possible that Moscow may use this as leverage against Western Europe in the pipeline dispute this autumn. In Germany, too, there have been constant calls for a moratorium. On September 26, 2021, elections will take place in the nation. The electoral platforms of the Greens and the Liberal Democrats demand a halt to the project, while the Social Democrats and the Conservatives (CDU/CSU) say nothing about the pipeline. In any event, the next German federal administration might adopt a different stance than the one that is in place right now. It should be noted that this government will only hold its current attitude temporarily until the coalition talks—which could take a while—are over. Nevertheless, the project's administrative processes have already begun. The EU's gas directive was amended in February 2019 in an effort to "de-politicize" the matter and give the German government control over it. However, this starts down a path that clearly lacks space for a halt, much less a moratorium.

The project developer, Nord Stream 2 AG, submitted an application for accreditation as an independent transmission system operator to the German Regulatory Authority (BNetzA) on June 11, 2021. Under German Energy Act §4b, this was carried out. Within three months, the German Federal Ministry for Economics and Energy has to report on whether or not awarding the certification would compromise Germany's or the EU's energy security. The Energy Industry Act §4a gives the BNetzA until October 11, 2021, or four months, to write a decision and submit it to the European Commission (EC) for comment. In response, the EC has two months to prepare a recommendation-filled opinion (Lehne, 2023). After that, the BNetzA has an additional two months to publish its ruling along with any supporting papers and comments. With these regulatory procedure timelines, the first decision might not come until February 2022. Commissioning must first be

approved by the Federal State of Mecklenburg-Western Pomerania's Energy Supervisory Authority. Furthermore, the built-in pipelines still require technical certification to be finished. This certification was originally provided by the Norwegian company DNV GL, but in January 2021, it withdrew due to the possibility of US penalties. Which company will finish the certification in accordance with both international and German Association for Gas and Water (DVGW) criteria remains unknown. Three legal actions by Nord Stream 2 AG are still pending in court against the revision of the EU's gas directive. For their part, Warsaw and Kyiv may potentially file a lawsuit against the ruling, as demonstrated by OPAL, a pipeline that connects Nord Stream 1 (Yafimava, 2018). Following the European Court of Justice's July 15, 2021 verdict, transit flows through OPAL are still limited to 50%, which means that gas transit flows are only 12 bcm/y. As a result, legal challenges surrounding the pipeline will likely last for a while, depending on the EU's position and the EC's published conclusion. The most crucial issue here is how Nord Stream 2's actual physical gas flows across Germany's coastal seas, to which the modified gas regulation needs to be implemented. It is still unknown if, when, and how much gas will flow, as well as under what (preliminary) circumstances. The quick technical approval and (preliminary) operation of Nord Stream 2 may be aided by tight market conditions. Given the Trump administration's promotion of freedom-loving molecules, the Kremlin may be happy to demonstrate that achieving "energy security can only be achieved in close partnership with Russia. Berlin finds itself in a challenging situation since it cannot count on Moscow's cooperative stance in gas affairs or presume that it will be simple to fully accommodate Ukraine's interests, as required by the US (Maurer, 2023).

Progress in Germany's Efforts to Reduce Dependency on Russian Energy

Germany has been working to lessen its reliance on Russian energy since the end of the Ukrainian conflict. Germany's main supply of gas and oil before the war was Russia, which supplied more than half of Germany's gas imports, half of its coal imports, and around a third of its oil. But the war and Russia's belligerent acts forced Germany to reevaluate its energy partnership with Russia. Germany has been supplying Vladimir Putin's war in Ukraine with gas, oil, and coal worth about €1.8 billion ($2 billion) a month (The Economist, 2022). Germany's reliance on Russian coal imports has decreased dramatically, with the country's share of imports falling from 50% to 8%. August 2022 will see the implementation of an EU embargo on Russian coal, significantly reducing Germany's reliance on the resource. Oil: Germany's efforts to become less dependent on Russian oil have progressed as well. By 2021, 35% of Germany's oil consumption came from Russian oil; by then, that percentage had dropped to 12%. The German Ministry of Economics thinks it will be possible to wean off of Russian oil by the end of the summer. A partial ban on Russian oil imports has been established by the EU, with some exceptions made for certain pipeline supplies to landlocked nations including Hungary, Slovakia, and Czechia (Batzella, 2022). Reducing Germany's reliance on Russian gas is its largest issue. Russia currently supplies Germany with natural gas in excess of 50% of its total consumption. By the end of the year, the EU wants to have cut its gas imports from Russia to just 13%, down from 40% to 26% overall. In order to import LNG, Germany

has expanded its imports from Norway and the Netherlands and leased floating storage and regasification installations. Germany is building adequate LNG facilities, and a law was introduced to expedite the approval process. But attaining total independence on Russian gas will take a lot of work, involving diversification, switching to hydrogen, and assembling a sizable amount of renewable energy. By 2024, Germany wants to cut its reliance on Russian gas to 10% (Wood, 2023).

Decoupling from Russian energy supplies is a difficult and complicated procedure. Critics point out that since German industry depends so heavily on Russian gas, expediting the process or enacting a complete embargo may have dire economic repercussions. If the shift is not handled carefully, there are worries about inflation, a recession, and possible GDP loss (US Institute of Peace, 2023). In addition, outside variables like the world's gas supply constraints and the possible harm to the world economy have been brought up for discussion. Regarding energy imports from Russia, opinions in Germany are mixed. Some want to outright forbid it, while others would rather take things slowly. The government is weighing various viewpoints, attempting to lessen dependency, and taking energy security and the economy into account (Maurer, 2023).

Economic Interest

The interdependence of businesses and states in this setting is highlighted by the significant role that strong German, French, and Italian enterprises played in the energy trade in Europe, as well as by their influence over markets, governments, and policies. According to the economic argument, Germany's backing for Nord Stream 2 was motivated by the project's financial advantages as well as the country's need for energy resources, particularly natural gas. Even though it decreased following the EU sanctions in 2014, Germany's commerce with Russia remained a substantial share of its total trade. Germany's energy needs were mostly met by gas imports from Russia, while Russia depended on Germany as a buyer of its energy resources and a producer of high-value goods (Walsh, 2022). Even if economic considerations played a significant role, they are still insufficient to fully explain why German governments steadfastly backed Nord Stream 2 in the face of growing international opposition. Other elements that influenced the German government's position on the project included geopolitical concerns, international relations, and legal, financial, and political hazards (Siddi, 2019).

It is important to note that arguments based on economic value did not take prospective or actual political and military developments into consideration. Corporate partners and several German politicians misjudged the costs and risks associated with working with Gazprom and taking part in the project. The project's overall evaluation necessitated taking into account the threats to wider political and security, as well as the project's effect on Germany's power inside the EU and in international relations (Quitzow & Thielges, 2020). In the end, there was conflicting support for Nord Stream 2, given the project's unpredictable results and changing conditions. For political considerations, the government acknowledged that the initiative might fail but yet stood by it. Complicating matters were worries about an energy crisis and the possible effects of stopping Russian energy shipments (Lehne, 2023).

Germany's support for Nord Stream 2 was largely motivated by economic interests, which were fueled by the project's economic benefits and the demand for energy resources. The government's steadfast backing and the project's eventual

outcome, however, cannot be entirely explained by a narrow focus on economic concerns alone because other elements, including geopolitics and political risks, also influenced the decision-making process (Wood, 2023). At the same time, worries about an energy crisis increased. Germany's GDP would decrease by 0.5% to 3.0% as a result of "substantial but manageable" effects from Russian energy imports. The anticipated cost of stopping Russian gas imports was less than 1% of GDP, or 2.25 percent in a "pessimistic" scenario. Corresponding social subsidies would need to be given (Wood, 2023). "A case can be made that actions should be taken as early as possible if an embargo of Russian energy becomes politically necessary," the authors suggested. As it turned out, Russian officials shut off the gas supply in Nord Stream 1 prior to any embargo imposed by their German colleagues (Williams et al., 2022).

Conclusion

Energy security in Europe has been severely impacted by the Russia-Ukraine war, especially in nations that buy a lot of natural gas from Russia. As one of Europe's biggest energy users, Germany has had particular possibilities and challenges negotiating the intricate dynamics of energy security in the wake of the conflict. Germany has made the Nord Stream 2 project the centre of its energy security strategy. Germany backed the idea for a number of reasons, despite criticism from the US and several other EU countries. These include broadening the scope of energy transfer policy, generating substantial income from gas exports, bolstering Germany's standing within the EU, and maintaining its economic and political clout in Russia. The European Union and the United States, however, have expressed alarm over the initiative. Increased reliance on Russian energy, possible Russian exploitation of the project for political ends, the project's exclusion of important transit nations like Poland and Ukraine, the effect of US sanctions against Russia, and the economic interests of other European nations in the energy market are the main concerns. The Germany case study demonstrates how geopolitics, the search for sustainable and varied energy sources, and energy security are intertwined. It emphasizes the necessity of a well-rounded strategy that takes into account lowering reliance on Russian gas, economic interests, and environmental concerns. Germany now has a chance to fortify regional energy cooperation inside the EU and expedite the shift to renewable energy sources thanks to the current crisis. This study has clarified the reasons behind Germany, Russia, the European Union, and the United States' support or resistance to the Nord Stream 2 project by using a neorealist approach to analyze their interests. It illustrates how political struggles and national interests influence nations' international policies when it comes to energy security. The study's conclusions help to clarify the prospects and problems surrounding Europe's energy security in the wake of the Russia-Ukraine war. In the face of geopolitical unpredictability, they offer perspectives to stakeholders, energy specialists, and politicians who are involved in developing resilient and sustainable energy systems. To maintain long-term resilience in the face of geopolitical disturbances, the European Union must strike a balance between energy security, diversity, and the development of renewable energy sources.

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