



THE (GEO-)POLITICAL ASPECTS OF AUSTRIAN-RUS- SIAN BUSINESS RELATIONS

Part I

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ECONOMY



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INTRODUCTION

This article focuses on the political framework conditions, side effects and consequences of Austrian-Russian economic relations over the past two decades. The supply of natural gas and crude oil from Russia to and via Austria has a special role to play here, since it accounts for the lion's share of Moscow's exports; it is also relevant for other EU countries which likewise purchase Russian gas. And it is a matter of common knowledge that the production and export of energy sources are at the heart of Russia's economy, without which the country would be negligible in global political terms, regardless of its size.

Vladimir Putin has been at war since the day he took office as Prime Minister in August 1999 (at that time in the breakaway North Caucasian Republic of Chechnya). Between 1999 and 2008 the oil price rose sharply, which Putin took advantage of in his military policy. Without or with significantly less oil and gas revenues, Putin would not have been able to finance the secret services (the backbone of his power), the modernization of his army, several de facto states in former Soviet republics (Donetsk People's Republic and Lugansk People's Republic in Ukraine, Transnistria in Moldova; Abkhazia and South Ossetia in Georgia) and his wars (currently against Ukraine and in Syria) to the same extent as before, not to mention the funding of occupied Crimea peninsula, which has cost Moscow the equivalent of around USD 20 billion since 2014. Russia's reliable oil and gas customer—Austria—also contributes to this state of affairs, but without this being the subject of any attention from the country's politicians, press, or political scientists.

Hardly anyone in Western Europe and North America cares about the undeniable fact that Putin's world power ambitions are financed by Western oil and gas customers, not to mention that someone wants to change this.

This article cannot deal with the "export" of Russian corruption to Austria; the operations of Russian oligarchs, and the activities of the "Russian Mafia" in Austria. This has reasons of space alone and is not due to the author's assumption that this would be insignificant in the context of Austrian-Russian (economic) relations. Thus, the Russian opposition politician Aleksey Navalny said: "Everyone [in Russia] loves Austria—especially the crooks and thieves."¹ Thus, the trade relations between Russia and Austria also, to a certain extent, advance Russia's malign influence. In addition, an ideological moment was always present in the Austrian-Soviet and then Russian business relations (even if most, if not almost all, of the Austrian and probably also Soviet/Russian politicians and managers involved would strongly deny this). The political background for this is Austria's neutrality (which has existed since 1955), the observance of which Moscow monitored "with Argus eyes" in both Soviet and post-Soviet times. And for the Austrian side, neutrality was and is a good excuse to show itself "as friendly as possible" towards Putin's Russia. This can be demonstrated by numerous events. So, in June 2014 Austria was the first EU member country to receive Putin after the annexa-

¹ Quoted after: Simone Brunner, Alexej Nawalny: „Alle lieben Österreich – Gauner und Diebe besonders.“ [Aleksey Navalny: "Everyone loves Austria – especially the crooks and thieves."] [interview]. Profil, July 25, 2019, <https://www.profil.at/ausland/alexej-nawalny-kreml-kritiker-putin-10877723> (accessed March 26, 2020). Hereinafter, all translations from German and Russian are made by the author.

tion of Crimea; and the politicians meeting him in Vienna seemed to be very proud of this.

Austrians sometimes console themselves about the low international importance of their country by quoting Friedrich Hebbel: “This Austria is the little world in which the big one holds its rehearsal” (in German it rhymes: “Dies Österreich ist eine kleine Welt, in der die große ihre Probe hält.”) When these words were spoken in 1862, Austria was territorially much larger than it was after 1918 and up to the present day: It was a major European power then and is now a small state. Russia, on the other hand, was then and is now a great power, and the character of its political system at that time was by no means dissimilar to that of Putin’s Russia today: authoritarian, with a ruler who cannot be voted out of office; very nationalistic, ambitious, and self-confident; with an (almost) powerless society; and with a political class that is also and especially concerned with self-enrichment. These are the *real* starting conditions for any proper analysis of Russia’s domestic, foreign, military, security, and economic policy—and therefore also for an approach to its relations with Austria in general and in the field of trade in particular.

RUSSIA AS AUSTRIA’S TRADE PARTNER—AN OVERVIEW

During each of his stays in Vienna, Putin visited the Austrian Federal Economic Chamber, which is dominated by the Austrian People’s Party and claims to represent the interests of business and foreign trade. Putin also collects his standing ovations there. Thus, an uninformed person, watching such TV coverage, could gain the impression that Russia is the most important or at least a very significant trade partner for Austria. But what is the truth? In 2018, 35.8% of Austria’s import came from Germany; 6.4% from Italy; 5.8% from China; Switzerland and the Czech Republic each account for 4.4%; 3.8% came from the US; France, the Netherlands, Poland and Hungary each account for 2.7%; 2.2% came from Slovakia and only 2.1% from Russia. Among Austria’s top export partners are (1) Germany, (2) US, (3) Italy, (4) Switzerland; Russia with a share of 1.4% occupied only 17th position.²

2 Wirtschaftskammer Österreich, “WKO Statistik Österreich. Österreichs Außenhandelsergebnisse. Jänner bis Dezember 2018. Endgültige Ergebnisse” [Austrian Federal Economic Chamber, “AFEC Statistics Austria. Austria’s foreign trade results. January to December 2018. Final results”]. Juli 2019, pp. 1, 10, http://wko.at/statistik/Extranet/AHstat/AH_12_2018e_Bericht.pdf (accessed 10 March 2020)

However, “such economic data show only part of the story. [...] Austrian economic players dealing with Russia are more important than the aggregate trade numbers might suggest. Some key business sectors linked to Russia have ties to the state, strong corporate lobbies, or both.”³

Austrian imports from Russia continue to consist mainly of energy sources (oil, natural gas), followed by metals. According to the Austrian Embassy in Moscow, the largest share of exports from Austria is attributed to the manufacturing industry, especially mechanical engineering and plant construction. Approximately 500 Austrian companies are active in Russia, particularly in the wood and paper industry, mechanical and plant engineering, construction, and banking.⁴

AUSTRIA IN THE EU CONTEXT AS A CUSTOMER OF RUSSIAN OIL AND GAS

Since 2013 (until January 2020, when the UK left) all 28 member states of the EU are net importers of energy. In 2017, 55% of the EU’s energy needs were met by net imports. Russia has maintained its position throughout the period 2007–2017 as the leading supplier to the EU of the main primary energy commodities—natural gas, crude oil, and hard coal.

The EU’s natural gas dependency reached 77.9% in 2018, up from 74.4% in 2017. In 15 member states natural gas dependency was higher than 90%. For Austria, this dependence was 91% in 2017 and 88.4% in 2018.⁵ Russia’s share of EU imports of natural gas between 2007 and 2017 did not change (38.7%). The lowest level was recorded in 2010 (31.9%), the peak of 41.1% occurred in 2013. Russia was and is also the principal supplier of EU crude oil imports: Its share stood at 33.7% in 2007 and fluctuated between 34.7% (2011) and 29% (2015). In 2017, its share was 30.3%, in 2018—27.3%

3 Andrew S. Weiss, “With Friends Like These: The Kremlin’s Far-Right and Populist Connections in Italy and Austria.” *Carnegie Endowment for International Peace*, February 27, 2020, <https://carnegieendowment.org/2020/02/27/with-friends-like-these-kremlin-s-far-right-and-populist-connections-in-italy-and-austria-pub-81100> (accessed March 26, 2020).

4 Österreichische Botschaft Moskau, “Wirtschaftsbeziehungen zwischen Österreich und Russland” [Austrian Embassy Moscow, “Economic relations between Austria and Russia”], <https://www.bmeia.gv.at/oeb-moskau/bilaterale-beziehungen/russische-foederation/wirtschaft/> (accessed March 25, 2020).

5 Eurostat, “Natural gas supply statistics,” p. 4, <https://ec.europa.eu/eurostat/statistics-explained/pdfscache/10590.pdf> (accessed March 25, 2020).

(for comparison: Norway—11.2%, Nigeria—8.1%, Kazakhstan—7.8%).⁶ As to hard coal, in 2017 38.9% of the EU's imports came from Russia.

The EU has known for many years that "the security of the EU's primary energy supplies may be threatened if a high proportion of imports are concentrated among relatively few partners."⁷ However, no decisive action was taken: In 2017, almost three quarters (74.6%) of the EU-28's imports of natural gas originated from Russia, Norway, and Algeria. The same year, close to three quarters (72.7%) of the EU-28's hard coal imports originated from Russia, Colombia, and the United States, while imports of crude oil were less concentrated among the principal suppliers, as Russia, Norway, and Iraq accounted for roughly half (49.9%) of the EU-28's imports.

With regards to the origins of imports in 2017–2018, Norway was the source of 30.2% of the natural gas entering the EU (intra-EU trade and entries from Switzerland both excluded), followed by Russia (20.5%), Ukraine (16.3%), and Belarus (10.3%). However, considering that most gas entering the EU from Ukraine and Belarus initially comes from Russia, the dependency on gas imports from this country is in practice much higher than on gas from Norway.⁸

As to Austria, it has long-standing links in the energy sector with Moscow. In 1968 (when the ostentatiously anti-communist Austrian People's Party was the sole political force in power), the Vienna-based oil and gas group OMV became the first non-communist European company to conclude a natural gas supply deal with the Soviet Union. The consequences of this decision are still felt strongly today. Other Western European countries followed suit, and Austria enjoyed its role as a major hub for Soviet and, after 1991, Russian gas exports across Europe.

During his talks with Putin in November 2009, Austrian Federal Chancellor Werner Faymann (Social Democratic Party) mentioned that Austria has no nuclear power plants; Putin laughed calling this a "very good decision for Russia as well."⁹ Indeed, Austria has to buy

6 Eurostat, "EU imports of energy products – recent developments. Statistics Explained," November 2019, p. 5, <https://ec.europa.eu/eurostat/statistics-explained/pdfscache/46126.pdf> (accessed March 16, 2020).

7 Eurostat, "Energy production and imports. Statistics Explained," June 2019, https://ec.europa.eu/eurostat/statistics-explained/index.php/Energy_production_and_imports#The_EU_and_its_Member_States_are_all_net_importers_of_energy (accessed March 25, 2020).

8 Eurostat, "Natural gas supply," p.4.

9 Quoted after: Christian Ultsch, "Putin drängt Wien zu Beteiligung an 'South Stream'" ["Putin urges Vienna to participate in "South Stream"]. *Die Presse*, November 12, 2009, p. 7.

Russian gas in the foreseeable future and, therefore, remains dependent on Moscow to a great extent.

The OMV today is 31.5% state-owned and forms the single biggest integrated petroleum company in Central Europe. It undertakes petroleum exploration and production, refining, as well as wholesale and retail sales on domestic and international levels. OMV also operates Austria's only refinery (based in Schwechat, a suburb of Vienna) and three natural-gas-storage facilities. OMV and Russian natural gas giant Gazprom cooperate in gas production, transportation, and supplies. In June 2018, an Agreement was signed to extend until 2040 the existing contract between Gazprom Export and the OMV Gas Marketing & Trading GmbH for Russian gas supplies to Austria. In October 2018, Gazprom and OMV signed a Memorandum on Strategic Cooperation, which envisages the creation of a Joint Coordinating Committee on collaboration in the natural gas sector, both upstream and downstream, in the area of science and technology, as well as staff training. OMV called this "strengthening the partnership" with Gazprom.¹⁰ Its CEO Rainer Seele presents any such "strengthening" as "diversification of supply" and "support to ensure security of supply"¹¹—in manifest contradiction of the facts. There are even Austrian politicians, as Karlheinz Kopf (People's Party), who stated that with OMV providing Gazprom "access to Europe," Austria "is once again performing its role as mediator in some way."¹² This was an example of the skill of many Austrian politicians (and managers) in presenting the business of Austrian companies and banks with Russia as an "expression of traditional Austrian neutrality." Kopf is also Secretary General of the Economic Chamber (since 2018) and Chairman of the Parliamentary Group Austria–Russia.

In the past there have been repeated speculations about Gazprom's entry into OMV. The Russian side has usually been evasive or, for example, claimed that "at present no talks are being held." This, of course, leaves all options open for the future. Sometimes rumors appeared that Gazprom might try to take over OMV. Former Austrian oil industry manager Wolfgang Schollnberger, who had worked for OMV (among others), commented with

10 OMV, Annual Report 2018. "7 reasons why we're excited about tomorrow," Vienna, 2019, p. 66.

11 Quoted after: Günther Strobl and André Ballin, "Sibirien-Abenteuer kostet OMV 905 Millionen" ["Siberia adventure costs OMV 905 million"]. *Der Standard*, June 8–10, 2019, p. 28.

12 Raja Korinek, "OMV-Deal ist politisch interessante Lösung" ["OMV deal is politically interesting solution"] [interview with Karl-Heinz Kopf]. *Die Presse*, April 13, 2016, p. 16. At the time of this interview Kopf was Deputy Speaker of the National Council, which added weight to these words.

“black humor” in January 2016 that this was not even necessary if Gazprom had “enough followers” on the OMV Management Board itself, the OMV Supervisory Board, the Supervisory Board of the Österreichische Bundes- und Industriebeteiligungen GmbH (ÖBIB) (which managed the state shares in several companies from 2015 to 2019 before it was transferred to the Österreichische Beteiligungs AG, or ÖBAG), or in the relevant Austrian federal ministries. From Schollnberger’s point of view, it had to be assumed that “some of these submissive people know exactly what is at stake, but others are short-sighted followers.”¹³

According to the latest yearbook of the Austrian statistics authority, only 5.6% of crude oil demand and 11.6% of gas consumption originate from domestic production. Since the closure of the Styrian lignite mining facilities in 2005, Austria’s foreign dependence on coal has been 100%. Furthermore, the yearbook states unequivocally that Austria’s dependence on foreign energy supplies is “continuously” increasing.¹⁴

In 2018, Gazprom delivered to Austria 12.3 billion cubic meters of gas, an increase of 34.8% against 2017 (9.1 billion cubic meters). In 2018, OMV imported a total of 8.3 million tons of crude oil to Austria, an increase of 13.5% over the previous year. Crude oil was procured from fourteen countries in very different quantities. Kazakhstan was in the lead with almost 3.1 million tons, followed by Libya with 1.9 million tons, Iran with 988,000 tons and Azerbaijan with 782,000 tons.¹⁵ In this context, however, it usually goes unmentioned that the oil from Kazakhstan is transported via pipelines which also pass through Russian territory.

Practically all Austrian and Western European advocates and supporters of an “extended cooperation” with Gazprom in general and of the Nord Stream pipeline projects in particular justify this as an “interdependence” and “mutual intertwining”: the Kremlin would not be able to blackmail the EU with gas supplies because it is massively dependent on these revenues itself. This is, however, “pseudo-plausible”: there is no doubt that in a theoretical massive political conflict situation Moscow

could “endure” much longer without these funds than many EU states could last without Russian oil and gas. Fortunately, the leaders of (most) EU states are accountable to their respective populations, which is completely absent in Putin’s case. Thus, Mikhail Korchemkin, founder and head of the Pennsylvania-based consulting firm East European Gas Analysis, said: “The Kremlin is ready to abandon revenues at any moment in order to achieve some political goals. I have no doubt that if the Kremlin doesn’t like something—the decision of some court, the actions of some German companies—then gas supplies will be immediately cut and stopped. Although normal practice suggests that one should go to an arbitration court.”¹⁶

It is, however, unlikely that Austria alone would become the victim of (howsoever motivated) political blackmail by Russia by refusing to supply energy sources, including natural gas; this would also affect other EU states. A historical example of such a scheme is the oil boycott against Western countries by the Organization of the Petroleum Exporting Countries (OPEC) in 1973, which also affected Austria, although it had nothing to do with the Middle East conflict and was, of course, not militarily involved at all; its then Federal Chancellor (Prime Minister) Bruno Kreisky (Socialist Party)¹⁷ was also considered very critical of Israel, but that did not “help” either.

Austria can also suffer “collateral damage,” and this has already happened. For example, in January 2006 and January 2009 Russian natural gas supplies to Austria and some other European countries were temporarily cut off because the Kremlin wanted to put political pressure on Ukraine (whose President Viktor Yushchenko, elected in 2004, was despised in Moscow). There were no supply shortages in Austria, as the country was able to draw on stored reserves. But such events should have severely damaged Moscow’s reputation as a “reliable supplier” to the EU; for some mysterious reasons, this did not happen.

But the Austrian Ministry for European and International Affairs, which usually selects its phrasing very carefully, wrote in its annual report for 2007: “Russia uses

13 Wolfgang Schollnberger, “Sicheres Gas aus Russland? Um welchen Preis?” [“Reliable gas from Russia? At what price?”]. *Die Presse*, January 19, 2016, p. 22.

14 Statistik Austria (ed.), *Österreich: Zahlen, Daten, Fakten* [Austrian statistics authority (ed.), *Austria: figures, data, facts*]. Wien 2020, p. 82.

15 Wirtschaftskammer Österreich, “Die österreichische Mineralölindustrie 2018” [Austrian Economic Chamber, “The Austrian Mineral Oil Industry 2018”]. July 23, 2019, <https://www.wko.at/branchen/industrie/mineraloelindustrie/die-oesterreichische-mineraloelindustrie.html> (accessed 11 March 2020).

16 Dmitrii Malysenko, “Kreml v lyubuyu minutu gotov perekryt tranzit gaza v Evropu – Mikhail Korchemkin” [“The Kremlin is ready to stop gas transit to Europe at any minute – Mikhail Korchemkin”] [interview]. *Apostrof*, October 13, 2019, <https://apostrofe.ua/article/politiics/2019-10-13/kreml-v-lyubuyu-minutu-gotov-perekryit-tranzit-gaza-v-evropu---mihail-korchemkin/28415> (accessed 25 March 2020).
17 It was re-named the Social Democratic Party in 1991.

its energy policy as a mighty tool of its foreign policy.”¹⁸ In May 2007, the Austrian Minister for Economic Affairs Martin Bartenstein (People’s Party), who also co-chaired the Austrian-Russian Joint Commission for Trade and Economic Cooperation, was aware that Putin pursued a “foreign policy” using Gazprom. Bartenstein said, “with its huge gas reserves Russia is playing back into the power poker of world politics,” but he immediately put this into perspective by claiming that “many [other] states [...] also make world politics with energy.” However, Bartenstein (who had received the Russian Order of Friendship in 2002) did not mention such “other” examples here, so that it remained open whom he meant specifically.¹⁹ Such “whataboutism” is typical for Putin’s defenders in the West and in Austria as well: they constantly refer to different events that often have nothing at all to do with Russia under discussion and which cannot explain or justify its behavior; nevertheless, many politicians and media consumers (and even many political scientists) are impressed and influenced by this. In February 2014, Austrian banker Herbert Stepic did not even deny that Putin was making “politics” with gas supplies, but found nothing wrong with that—Putin wanted to “simply build his Great Russia.”²⁰ And Stepic had no intention to criticize this or ask why Austria should participate in the realization of Putin’s ambitions.

During the 2009 gas supply crisis Austrian politicians and managers rescued themselves into veritable “verbal contortions.” For example, OMV’s then head Wolfgang Ruttenstorfer (who had been State Secretary in the Ministry of Finance for the Social Democratic Party from 1997 to 1999) declared that Russia “will continue to be a reliable supplier of natural gas *after the end* of the bilateral conflict with Ukraine.”²¹ And of course, Austrian politicians “nobly restrained” criticism of Putin because of the supply stops. It was left to Austrian satirist Rainer Nikowitz to use a fictional interview with “Putin” to announce findings that Western European politicians,

managers, and political scientists (with “Russia experts” among them) were unwilling to make public: “If I [‘Putin’] only blackmail the Ukrainians, it will take endlessly for them to give in. But if I blackmail the mollycoddled EU as well, I’ll get my way much faster.”²²

Austria has taken some steps to prepare for a gas emergency, notably by enabling the physical reversibility of a large number of its gas pipelines with neighboring countries (Germany to Austria and Italy to Austria) in 2011. But that would be of little or no help if these countries themselves were affected by massive gas shortages.

Most of the Russian gas that serves Europe comes from the Urengoy and Bovanovenskoe reservoirs. Urengoy has been one of the world’s most productive fields for four decades, but the gas closer to its surface is running out. Gazprom has decided to hire international partners for the expensive, more complicated drilling needed to remove gas from Urengoy’s depths. Thus, on 7 June 2019, OMV signing an Amendment Agreement to a Basic Sale Agreement from 3 October 2018, with which it will acquire a quarter of the Urengoy gas field on Yamal Peninsula. The agreement for 905 million euro will give OMV 24.98% ownership of Blocks 4A and 5A at Urengoy. Gazprom will retain majority control of this gas field—50.01%.²³ This, as an Austrian daily called it, “Siberian adventure”²⁴ shows once again that OMV is not thinking of easing its already very close ties with Gazprom in the foreseeable future.

Gazprom’s, OMV’s and other natural gas lobbyists’ presentation of the “environmental friendliness” of burning natural gas is contradicted by practically all serious experts. They also try to create the impression that natural gas is the lesser evil compared to coal or oil, why Nord Stream 2 must be built at any costs and why the connection with Gazprom (i.e. Putin’s Kremlin) must not only be maintained, but even expanded. But all this is wrong. Although natural gas really produces comparatively few greenhouse gases when burned, leaks occur frequently in gas production plants and pipelines. Large quantities of unburned methane gas escape from these leaks. And

18 Thomas Schlesinger etc. (eds.), *Außenpolitischer Bericht 2007. Jahrbuch der Österreichischen Außenpolitik [Foreign Policy Report 2007, Yearbook of Austrian Foreign Policy]*. Wien 2007, p. 44.

19 “Russische Investoren willkommen” [“Russian investors welcome”] [interview with Martin Bartenstein]. *Die Presse*, May 23, 2007, p. 16.

20 Reinhard Göweil, “Die Lösung liegt bei Russland” [“Russia is the solution”] [interview with Herbert Stepic]. *Wiener Zeitung*, February 1–2, 2014, p. 5.

21 Quoted after: Abgedreht, “Gas-Lieferung nach Österreich komplett eingestellt” [“Turned off: Gas supply to Austria stopped completely”]. *Die Presse*, January 7, 2009, <https://www.diepresse.com/441904/abgedreht-gas-lieferung-nach-osterreich-komplett-eingestellt> (accessed 11 March 2020). Italics by the author, M.M.

22 Rainer Nikowitz, “Gasreizung” [“Gas Irritation”]. *Profil*, no. 3, 2009, p. 102.

23 OMV und Gazprom unterzeichnen “Amendment Agreement” zum “Basic Sale Agreement” betreffend den möglichen Erwerb einer 24,98% Beteiligung an den Blöcken 4A/5A der Achimov-Formation durch OMV [OMV and Gazprom sign “Amendment Agreement” to the “Basic Sale Agreement” concerning the possible acquisition by OMV of a 24.98% stake in blocks 4A/5A of the Achimov Formation]. *OMV Newsroom*, June 7, 2019, <https://www.omv.com/de/news/190607-omv-und-gazprom-unterzeichnen-amendment-agreement> (accessed March 24, 2020).

24 Strobl and Ballin, p.28.

methane is a particularly dangerous greenhouse gas: it has a much greater greenhouse effect than carbon dioxide. Ralf Sussmann from the Karlsruhe Institute of Technology (Germany) has proven by measurements on the Zugspitze mountain (on the German-Austrian border) that the methane concentration in the atmosphere is rising sharply and that natural gas leaks are mainly responsible for this (leaks from gas wells and pipelines, for example). If these leaks are taken into account, it is doubtful whether natural gas still has any advantage over coal.

Environmental associations used to see natural gas as a “bridging technology,” i.e. as a transitional solution on the way to a much more climate-friendly economy. However, this has changed since. The German Association for the Environment and Nature Conservation, for example, draws a clear conclusion: “Natural gas is not an answer to the climate crisis. [...] It makes no sense to invest in new gas infrastructure projects that are expected to be in operation for more than half a century.”²⁵

THE NORD STREAM GAS PIPELINES AND AUSTRIA

The entire Austrian political and business elite—including the current (since January 2020) Government under Federal Chancellor Sebastian Kurz, consisting of the People’s Party and the Greens—promote the Nord Stream 2 gas pipeline between Russia and Germany. This is a Russian geopolitical project that is harmful to the energy security of the entire EU and, therefore, also of Austria. It is intended to drive a “wedge” into the EU—namely between those countries that support it (Austria, Germany, etc.) and those that reject it (Poland, Baltic States). The Kremlin hopes that this will weaken the EU as a “geopolitical competitor” for power and influence in the world. But nevertheless, OMV is expected to account for about 10% of the total cost of 9.5 billion euro (according to the operators; “project-unrelated” observers expect much more) for Nord Stream 2. Its head since 2015, when Austria was governed by a coalition of Social Democrats and People’s Party, is the German national Rainer Seele. His pro-Russian (and anti-Ukrainian)

25 “Erdgas ist keine Antwort auf die Klimakrise. EU muss Investitionen in fossile Energien beenden” [“Natural gas is not an answer to the climate crisis. EU must stop investment in fossil fuels”]. *Bund – Friends of the Earth Germany*. November 7, 2017, <https://www.bund.net/service/presse/pressemitteilungen/detail/news/erdgas-ist-keine-antwort-auf-die-klimakrise-eu-muss-investitionen-in-fossile-energien-beenden/> (accessed March 25, 2020).

views, which appear in every interview he gives,²⁶ were, of course, already known then and posed no obstacle, and were possibly even a prerequisite for his appointment as OMV’s General Director. The company believes that there is a chance that a part of the natural gas that will land in the East German coastal town of Lubmin could be forwarded to the Baumgarten transmission facility on the Austrian-Slovak border. Between a quarter and a third of the export volume from Russia destined for Western Europe is handled via Baumgarten: The gas is transported from this hub via large transit pipelines to Germany, Italy, France, Slovenia, Croatia, and Hungary and via the primary distribution system to the Austrian provinces.

It is noteworthy that former (2014–2017) Austrian Finance Minister Hansjörg Schelling (a confidant of Seele) from the People’s Party is an official lobbyist for Nord Stream 2 since 2018. Matthias Warnig, who clearly enjoys Putin’s trust (which is evident from the very jobs he got in Russia),²⁷ was the Managing Director of the Nord Stream AG (formally in Zug, Switzerland) from 2006 to 2016 and is Chief Executive Officer of the Nord Stream 2 AG since September 2015. None of the (former and active) politicians and businessmen in Austria, Germany or other project participating countries who promote this pipeline were ever bothered by the fact that Warnig was an employee of the Ministry for State Security of the GDR.

At a meeting with Putin in Sochi in mid-May 2019, Austria’s Federal President Alexander Van der Bellen spoke out strongly in favor of Nord Stream 2. According to Van der Bellen, the gas from Siberia is significantly cheaper for European consumers than the imported liquid gas from the US. According to him, OMV “does not intend to withdraw from the ‘Nord Stream 2’ project.” Putin accepted this with visible satisfaction.²⁸ The EU sanctions against Russia, imposed for the annexation of Ukraine’s Crimea in 2014, obviously, never affected this project.

For many years, the US, EU, and Austria did nothing at all to disrupt or block Nord Stream (which became operational in November 2011) and/or Nord Stream 2. It was not until December 2019, when only about 300

26 Cf. Heike Göbel and Niklas Záboji, “Kritik von Polen und Ukrainern ist vorgeschoben,” *Frankfurter Allgemeine Zeitung*, February 18, 2019, <https://www.faz.net/aktuell/wirtschaft/unternehmen/nord-stream-2-omv-chef-rainer-seele-im-gespraech-16046206.html> (accessed April 10, 2020).

27 Cf. Nordstream-Boss Matthias Warnig: “Herr Putin hat kein Handy” [“Mister Putin has no cellular phone”] [interview]. *Die Presse*, Februar 8, 2018, <https://www.diepresse.com/5368277/nordstream-boss-matthias-warnig-herr-putin-hat-kein-handy> (accessed April 10, 2020).

28 Quoted after: Jutta Sommerbauer, “Durchs Reden sollen Österreich und Russland näher zusammenkommen,” *Die Presse*, May 16, 2019, p. 5.

kilometers were left to complete Nord Stream 2, that the US imposed sanctions on the companies involved. In Germany and Russia, there was great indignation, and in Austria (apart from OMV, of course), the tabloid press and (in its own understanding) the quality press demonstratively and loudly sided with the Russian project initiators, blasting Washington for its “unilateral action,” attempts to “sell their own expensive shale gas” to Europe.²⁹ On this occasion, many Austrian politicians and managers also reiterated their long-standing opinion that Nord Stream represents a “diversification of energy supply”—without explaining how this would be achieved if the supplier of natural gas, namely Russia, remains the same.

Rather unbiased analysts and observers of energy policy gave other reasons for the Kremlin’s stubbornness in sticking with Nord Stream 2. Thus, Korchemkin referred to the billion-dollar contracts for the companies of Putin-friendly oligarchs Arkadiy Rotenberg and Gennadiy Timchenko. The second main reason, according to Korchemkin, is Putin’s desire to “punish” Ukraine, which will lose transit fees (about USD 2 billion annually) because of Nord Stream 2. Indeed, long before the 2013–2014 Maidan protests in Kyiv, Putin expressly told Faymann that Nord Stream 2 will offer the possibility of “disciplining unruly transit countries” such as Ukraine.³⁰ Faymann did not object, although he could have asked why Austria (and other EU member countries) should assist Russia in its attempts to “discipline” other countries.

It is, of course, economically absurd to spend billions to construct pipelines on the bottom of the Baltic Sea in order to transport roughly the same amount of natural gas to Central and Eastern Europe as that which can be (and has been) pumped through Ukraine’s pipeline network (which is nevertheless in need of modernization), but Nord Stream is not about economics, but Russian geopolitics. As the vast majority of politicians, officials, and managers in Vienna, Berlin, and Brussels failed to understand this, they took nothing but wrong decisions

about Nord Stream—and this will affect the EU’s energy security over the decades to come when all politicians active today will be long out of office.

Nord Stream (and especially Nord Stream 2) is also a major problem for Kyiv because Russia would become completely “independent” of the pipelines across Ukrainian territory and thus, according to some observers (for example, Andreas Umland)³¹ could more easily wage a “large-scale” war (i.e. far beyond the Donbass) against Ukraine, which would undoubtedly trigger another huge wave of refugees (parallel to Syria), affecting not “only” Ukraine itself but also the EU. The responsible officials and authorities in Vienna, Berlin, and Brussels do not want to deal with such a possibility nor with information that Russian prisoners were being forced to work on Nord Stream 2 (which should at least have been checked).

To be concluded in the next issue

29 Cf. Christian Ultsch, “Europa braucht keine US-Zwangsnachhilfe,” [“Europe does not need US forced tutoring”] *Die Presse*, December 21, 2019, <https://www.diepresse.com/5742444/europa-braucht-keine-us-zwangsnachhilfe> (accessed April 10, 2020); “US-Sanktionen gegen Nord Stream 2 sind in Kraft,” [“US sanctions against Nord Stream 2 are in force”]. *Kronen Zeitung*, December 21, 2019, <https://www.krone.at/2066127> (accessed April 10, 2020).

30 Quoted after: Christian Ultsch and Eduard Steiner, “Faymann im Kreml: Zwischen Kalaschnikow und Erdgas,” [“Faymann in the Kremlin: Between Kalashnikov and natural gas”] *Die Presse*, November 10, 2009, http://diepresse.com/home/politik/aussenpolitik/520903/index.do?_vl_backlink=/home/politik/aussenpolitik/index.do (accessed March 25, 2020).

31 “The Geopolitical Impact of Nord Stream 2.0 on European Energy Security,” (panel discussion, Diplomatic Academy of Vienna, February 26, 2020).