

Putin's War and European Energy Security

A German perspective on decoupling from Russian fossil fuels

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Chairman Cardin, Chairman Cohen, distinguished members of the Helsinki Commission,

It is an honor for me to be invited to testify before you here today together with my other distinguished panel members Yuriy Vitrenko and Benjamin Schmitt on the critical issue before this panel: European energy security after Russia's invasion of Ukraine on February 24 — and more particularly in my case, German energy policy and attempts to decouple from Russian oil and gas.

I want to emphasize here that I am not and have never been a government representative; I speak in my individual capacity as an analyst of German and European politics. I am also not an energy industry expert; I hope the value added I can bring to this hearing is my ability to contextualize energy policy within the larger issues of transatlantic, European, and German politics and policy.

1. Background: Germany, Russia, and Ukraine

Germany is a case study — perhaps *the* case study — of a Western middle power which made a strategic bet on a full embrace of interdependence and globalization in the late 20th century: it outsourced its security to the U.S., its export-led growth to China, and its energy needs to Russia. It is now finding itself excruciatingly vulnerable in an early 21st century characterized by great power competition and an increasing weaponization of interdependence by allies and adversaries alike. The war in Ukraine, which touches on almost every one of Germany's bilateral, regional, and global interests, only accentuates its exposure. That this horrific conflict is taking place in the region that was part of the “Bloodlands” (the term coined by Yale historian Timothy Snyder), where Hitler and (to a lesser degree) Stalin murdered tens of millions of people is lost on few of my fellow citizens.

For much of the three decades after German reunification in 1990, Berlin saw Moscow (as well as Beijing) as a reliable strategic partner in a two-way bargain: Germany would import cheap energy, and export good governance in much the way that Eastern Europe had been transformed through entry into NATO and the EU. Ultimately, German policymakers hoped, this would transform not only these countries' economies but also their political systems. And they believed — in an attempt to reconfigure West Germany's Cold War *Ostpolitik* for a united Germany in the middle of Europe — that NATO and the European Union could and should be encompassed in a pan-European security architecture that included Russia.

The Kremlin, for its part, saw Germany as a friend, a partner, and as a strategic bridgehead into Europe — not least because it was importing roughly a third of its oil and gas from Russia. What the Germans called their “modernization partnership” with Moscow made for excellent business for a while; but in every other way, it proved to be a failure. Economic integration turned out to be strictly

downstream, while many German businesses got burned by corruption and organized crime; political reform remained elusive.

What precisely constituted the turning point in Germany's relationship with Russia is for historians to determine; but it is safe to say that it deteriorated rapidly after Putin's belligerent speech in Munich of 2007. The Russo-Georgian war in August of 2008, Russia's annexation of Crimea, its proxy war in Ukraine, its support of the German extreme right, its disinformation and propaganda operations in social media, the 2015 hack of the Bundestag servers, its election campaign interference in 2017, the 2019 murder of a Chechen political refugee in Berlin, the attempted murder of the Russian opposition politician Alexei Navalny in 2020, Moscow's support for the brutal crackdowns on mass demonstrations in Belarus, as well as its aggressive interference in Syria and elsewhere: all these events led many in the German political class to make a bleak reassessment of the relationship with Moscow.

There were significant consequences, but — in hindsight — not nearly enough. Berlin formally cancelled its "strategic relationship" with Russia in 2014. It played a key role in organizing a European sanctions consensus, and paid a real economic price as a result. Merkel threw her weight behind several rounds of subsequent EU sanctions; she sharply condemned the Kremlin for the assassination attempt against Navalny and had him brought to Berlin for treatment. The German foreign ministry created a special task force for Ukraine aimed at promoting reform, and funneled several billion euros in assistance to Kyiv between 2014 and 2022.

Yet Eastern European criticisms of Berlin's insistence (with Paris) on maintaining multilateral diplomacy formats like the Normandy and Minsk processes turned out to be accurate. The Kremlin's participation in them was a performative sham; Germany's offers of de-escalation and "off-ramps" were not reciprocated.

The German-Russian energy relationship, meanwhile, remained largely intact. Then-economics minister Sigmar Gabriel sold German gas storage facilities to Gazprom even after the annexation of Crimea. And Merkel refused — despite pressure from both the Trump and Biden administrations — to wield the biggest stick in her arsenal and suspend the Gazprom pipeline project Nord Stream 2 (intended to bring Russian natural gas to Germany while circumventing Ukrainian and Polish transit routes).

The September 2021 elections ended the Merkel era and brought to power a first-ever "traffic light" coalition of Greens and Liberals under chancellor Olaf Scholz, a Social Democrat. But they did not initially bring any change to the relationship. Their December [coalition agreement](#), while much sharper in tone towards Russia and more supportive of Eastern Europe and Ukraine, fudged key disagreements among the three parties on Russia, Ukraine, and energy security. Visiting Washington in early February, as the Kremlin had already begun amassing more than 100,000 troops on Ukraine's borders, Scholz refused to respond to calls for a cancellation of Nord Stream 2. This despite the fact that President Biden had

personally vetoed a bipartisan sanctions bill against the pipeline the previous summer — in effect giving Germany a massive advance of trust.

Scholz suspended the pipeline on February 22, as Russian troops began to move on Ukraine. (The operating company has since declared bankruptcy.) He also for the first time promised arms for Ukraine.

On Sunday, February 27, three days after the start of the invasion, Scholz gave a historic [speech](#) in which he said that Germany had entered a *Zeitenwende*, a watershed moment. The chancellor announced that Germany would now fulfil its promise of spending 2 per cent of its gross domestic product on defense, accelerate the move away from dependence on Russian energy, build two new liquid natural gas terminals, buy armed drones, commit to nuclear participation and send more troops to reinforce NATO's eastern flank.

The impact on public opinion in a nation with a deserved reputation for caution and a propensity to outsource security risks and costs to its neighbors and allies was astonishing. In a subsequent national [poll](#), Scholz's popularity jumped by 13 per cent. Ninety per cent of those polled said Russia was untrustworthy. Eighty per cent said Berlin's actions were appropriate, or should be even tougher. Two-thirds supported his decisions — even if Germany was to suffer energy shortages, inflation or damage to companies. Four-fifths said NATO is important to secure peace in Europe.

2. Status of Germany's attempts to uncouple from Russian energy

“Besides renewables, Germany's only domestic source of power is lignite, a dirty type of coal that makes up about 9%, and declining, of primary energy consumption [...]. But the vast majority of the fossil fuels that the country burns are imported, as is the uranium that powers its three remaining nuclear plants. Oil and gas combined account for around 60% of primary energy, and Russia has long been the biggest supplier of both. On the eve of the war in Ukraine it provided a third of Germany's oil, around half its coal imports and more than half its gas.” ([Economist](#), May 4, 2022)

“Germany has been importing around €1.8bn (\$2bn)-worth of Russian gas, oil and coal a month, thereby helping to finance Vladimir Putin's war in Ukraine.” ([Economist](#), April 2, 2022)

“Energy trilemma” is a term that describes countries' ability to provide energy in terms of finding the elusive balance between environmental sustainability, social impact, and security. At the beginning of 2022, the European Union found itself in exactly such a trilemma, having privileged the first two criteria while neglecting the third.

The EU's “Green Deal” seeks to make Europe carbon-neutral by 2050 and reduce emissions by at least 55 per cent by 2030. These are laudable aims, given the

dangers of climate change, and are supported by European public opinion. So for years, European countries have been subsidizing renewable fuels and switching from coal or nuclear power to relatively cleaner natural gas. The EU's Third Energy Package of 2009 had liberalized gas markets and broken up the monopoly of Gazprom, the Russian state-controlled gas conglomerate, over the European gas market. EU fiscal transfer mechanisms were intended to help weaker European economies through the transition.

But a sharp demand rebound from a pandemic slump, shrinking gas production in Europe, and a failure to fully replenish gas storage facilities after a harsh winter, as well as massive demand from China, all led to months of market volatility and soaring gas prices. Russia, which at the time supplied 40 percent of EU gas, denied that it was restricting gas supplies. The head of the International Energy Agency (IEA) Fatih Birol said Moscow could increase supplies by a third if it chose. Putin, meanwhile, suggested that all that needed to happen was for Germany to certify Nord Stream 2.

When Berlin's new coalition arrived in December 2021, it had trilemma problems of its own. Its declared goal was to phase out nuclear power by December 2022, and coal by 2030; on top of that, it had an ambitious climate transition plan. But Germany was also Gazprom's main foreign buyer; and Gazprom owned most of its underground gas storage facilities, the largest in Europe. (Coincidentally, the Russian-owned facilities were nearly empty.) Putin's blackmail divided the government: foreign minister Annalena Baerbock and economics and climate minister Robert Habeck (both Greens) insisted that the option of permanently suspending Nord Stream 2 should be on the table, whereas senior Social Democrats disagreed.

Then came the Russian invasion, and chancellor Scholz's *Zeitenwende* speech. What has happened since then?

Coal: According to a "progress report on energy security" [published](#) by Habeck's ministry on May 1, the Russian share of German coal imports has decreased from 50 to 8 percent; on June 3, the last ship transporting Russian coal to Germany was [unloaded](#) in the port of Rostock. An EU embargo on Russian coal (part of the 5th EU sanctions package of April 9) enters into force on August 10. Coal is used in some power plants and by the steel industry; but overall it plays a relatively unimportant role in German energy consumption.

Oil: Russian oil, which supplied 35 percent of Germany's oil consumption in 2021, is now down to 12 percent. The ministry report added "ending dependency on Russian oil by late summer is now realistic. An oil embargo [...] would be manageable." This was the long-awaited signal to the EU that Berlin was willing to support an EU ban on Russian oil imports. A partial embargo was decided as part of the 6th EU sanctions [package](#) on May 31; the EU also decided to ban insuring

ships carrying Russian oil, essentially shutting Russia out of the Lloyd's of London insurance market.

As the Brussels-based think tank Bruegel [notes](#), the embargo will only affect seaborne crude oil after a phase-in of 6 months (8 months for oil products), which means that the measures only come into effect from 2023. And while Germany and Poland have committed to end oil imports by the end of 2022, there are indefinite exemptions for the "Druzhba" pipeline imports to landlocked Hungary, Slovakia, and Czechia. Still, the analysts praise the deal as a "welcome sign of unity," which they describe as "a significant blow to Russia [...] eventually, Russia might lose a large share of the around € 10 bn per month the EU currently spends on Russian oil." The *Financial Times* even [sees](#) Russian oil exports to the EU decline by 90 percent at the end of 2022.

Germany is also pondering the fate of two refineries in Leuna and Schwedt, which in 2021 received two thirds of all Russian crude imports via the northern link of the Druzhba pipeline. The French energy company Total, which operates the Leuna site, has already rerouted its oil via the Polish seaport of Gdańsk. The Schwedt refinery, however, is owned by the Russian company Rosneft; but a new energy security [law](#) gives the German government the option of putting the refinery under administration or even of expropriating it. The Estonian Alcmene group has already [expressed](#) interest in buying it.

Gas: Europe's and especially Germany's biggest problem in de-coupling from Russian fossil fuel imports is its dependency on Russian gas. The EU imported 40 percent of its gas supplies before the war; according to the EU Commission, that has now fallen to 26 percent; [according](#) to the EU's Estonian energy commissioner Kadri Simson, the bloc is on target to push the share down to 13 percent by the end of the year. The EU hopes to [phase](#) out gas completely by 2027. It is refilling underground storage reservoirs earlier than in previous years. And it is increasing LNG handling facilities, enabling the EU to buy more gas from the US, Norway, or new suppliers in the Middle East. Unfortunately, world LNG supplies are tight. The EU Commission has [estimated](#) this year that an outright gas supply cut from Russia would cut EU growth by 2.5 percentage points to 0.2 percent.

As for Germany, more than fifty percent (some estimates have ranged closer to 70 percent) of its natural gas consumption is sourced from Russia. Of this, demand from industry [accounts](#) for 37 percent, households for 31, electricity power stations for 12, services for 13, and district heating for 7 percent.

The report from Germany's economics ministry [asserts](#) that it has already reduced gas imports from 55 to 35 percent by increasing imports from Norway and the Netherlands, as well as bringing in LNG through quickly [leasing](#) a total of four floating storage and regasification terminals at a cost of nearly € 3 bn (\$ 3.2 bn). But it admits that independence "can only be achieved through a major national

effort ... with many steps by many actors at the same time: the federal government, state and municipal governments, companies and private households.” A combination of diversification, cuts, a faster transition to hydrogen, and as a “massive” buildup of renewables, Habeck’s agency says, could push the Russian gas share down to 10 percent by 2024.

The ministry is committed to building the two proper LNG terminals promised by chancellor Scholz in February (currently, Germany has none), plus a [third](#) one; a law to speed up the approval process by omitting some of the usual environmental checks was passed in May. According to the [Economist](#), that would give it — together with the floating terminals — an import capacity of 53 bn cubic metres per year (the Nord Stream 2 pipeline was projected to transport 55 cbm/year). Still, it will take years for them to come online. And Habeck, too, is scouring the world for available LNG supplies, with a recent trip to Qatar and the UAE, and a trip this week to the Eastern Mediterranean.

Critics say this delay needlessly, even irresponsibly, feeds the Russian war machine. But whether Germany could speed up the process of gas decoupling — or even impose a total embargo — is hotly disputed among German economists, because so much of German industry is dependent on Russian gas. The German Council of Economic Experts has [warned](#) of spiking inflation and a recession; the “spring forecast” by Germany’s five leading economic think tanks even [predicts](#) a total GDP loss for 2022 and 2023 of € 220 bn, equivalent to 6.5 percent of GDP. Others [argue](#) that this does not factor in the costs of delaying a decision.

It is worth noting in this context that Secretary of the Treasury Janet Yellen — echoing other Biden administration officials — [urged](#) Europe in April to be “careful” about imposing a complete ban on Russian energy imports, warning of the harm such a move could inflict on the global economy. As the *Financial Times* reported, she noted that “counter-intuitively,” a total embargo might initially lead to Russia benefiting from higher prices.

This quandary raises the specter of a Russian pre-emptive embargo. Indeed, the Kremlin has already implemented countersanctions against individual companies and EU member states like Bulgaria and Poland, prompting Habeck to [comment](#) that Russia was again using energy as a weapon. The federal network regulator (the *Bundesnetzagentur*) is responding by racing to fill Germany’s gas storage facilities; under Germany’s new gas storage [law](#), the reservoirs must be filled at 80 percent by October. Yet, as the *Frankfurter Allgemeine* newspaper has [reported](#), the reservoir in Rehden, which is owned by Gazprom Germania and comprises one fifth of Germany’s total storage capacity, is practically empty. The aforementioned energy security law may have to come into play here as well.

In a recent interview, Klaus Müller, the president of the *Bundesnetzagentur*, [explained](#) the consequences of a Russian export embargo in some detail; even

with private households being asked to ration energy in a gas emergency, he said, “in terms of economic consequences it would be much more dangerous for Germany’s industrial core than the pandemic.”

In a nationwide *Deutschlandtrend* [poll](#) on April 24, only 19 percent wanted to keep import levels as they are now. 22 percent of those polled agreed that Germany should ban Russian energy imports immediately; 54 percent preferred a step-by-step implementation. In an April 13 [poll](#) by the Allensbach Institute which reminded respondents that Germany’s former president Joachim Gauck had asked citizens to “freeze for freedom,” only 24 percent agreed. 59 percent disagreed. Asked about the need for an immediate energy embargo, 30 percent assented, while 57 demurred.

3. What next?

Chairman Cardin, Chairman Cohen, distinguished members,

You had asked us in coming here to consider plans to create a Europe that is wholly free from Russian oil and gas, as well as the importance of a robust energy embargo to starve the Russian war machine. I hope you will forgive me if this last part of my testimony is a little more personal in tone.

I am intensely aware of Germany’s outsized role as the most powerful economy in Europe and a primary consumer of Russian natural resources — and of the responsibility that confers. It frustrates me to see German leaders struggle to articulate what is necessary, spar over what is possible, or delay doing what they have decided. I have great respect for Chancellor Scholz, but I wish he could find it in himself to speak with passion and clarity more often; and some of his ministers are more capable than others. It makes me angry and ashamed to see a former German chancellor in the pay of Gazprom, or to hear German academics lecturing a Ukrainian ambassador on peace. I myself have signed two open letters in Germany demanding more support for Ukraine and, among other things, a full and immediate embargo on fossil fuel imports from Russia — because this would not just stop financing Putin’s invasion, but send a signal that we too are willing to pay a personal price to stop him.

Some critics appear to believe that German elites or parts of the public are in the Kremlin’s pocket, paralyzed by historical guilt, blinded by ideology, devoid of empathy, or hiding behind bureaucracy. While I may know people who meet all those descriptions, I am convinced they apply only to small groups. I do think that there are honorable reasons behind German hesitations over a full-scale, immediate energy embargo.

A recent trip to Germany took me to six different cities between Hamburg and Munich; there were Ukrainian flags to be seen everywhere. Much more importantly 800,000 Ukrainian [refugees](#) have come to Germany since the beginning of the war, more than double the number that fled to us during the Yugoslav wars in the 1990s. And I have been astonished repeatedly at the forcefulness and resolve of Germany's new government. I have not seen anything like it in my lifetime. Could they do more, and faster? Of course, and they must. But what they have already decided, and done — on financial support for Ukraine, on weapons deliveries, and on energy sanctions — is historic by any measure.

Above all, I believe them when they say they are intent on decoupling Germany and Europe from Russian fossil fuels. We all understand that there is no going back. And it is clear that the war, and Ukraine's heroic resistance, are at an inflection point. The question before us is not whether to decouple, but in what manner and at what speed, to maximize effect, and minimize harm.

The hesitations of policymakers and citizens, I believe, are owed to the horrors we have already seen, and the simultaneous understanding that more lie before us, and more will be asked of all of us. I believe they are born out of the understanding that we have no good choices, only bad and less bad ones; and imperfect knowledge about which is which.

It is easy for me as an analyst to call for radical measures to help Ukraine — but I have to acknowledge that Scholz, Habeck, and many others are faced with terribly difficult and consequential decisions: and the decision how and when to cut off Russian oil and gas is such a one. Because of its incalculable second- and third-order implications. But also because Germany's deep economic integration with its neighboring economies means that its decisions — not least a major recession in Germany — reverberate far beyond its borders. The economic price paid by us would be paid by our neighbors as well.

I doubt I could be in the shoes of those who have to make these decisions going forward. And I am deeply grateful to the Biden administration and the U.S. Congress for the collaborative and measured way in which it has worked with its European allies to stop Putin's invasion. It has been essential for our unity of purpose. And the transatlantic debate we should have now is how to mitigate the impact of further decoupling together in such a way that we maintain this unity.

Thank you.