Commission on Security & Cooperation in Europe:
U.S. Helsinki Commission

"European Energy Security Post-Russia"

Committee Members Present:
Senator Ben Cardin (D-MD), Chairman;
Representative Steve Cohen (D-TN), Co-Chairman;
Senator Roger Wicker (R-MS), Ranking Member;
Representative Joe Wilson (R-SC), Ranking Member;
Senator Richard Blumenthal (D-CT);
Senator Jeanne Shaheen (D-NH);
Representative Ruben Gallego (D-AZ);
Representative Marc Veasey (D-TX)

Witnesses:
Yuriy Vitrenko, CEO, Naftogaz Ukraine;
Constanze Stelzenmüller, Senior Fellow, Brookings Institution;
Benjamin Schmitt, Research Associate, Harvard University and Senior Fellow, Democratic Resilience Program, Center for European Policy Analysis;
Oksana Markarova, Ambassador of Ukraine to the United States

The Hearing Was Held From 2:37 p.m. To 4:07 p.m., Room 562, Dirksen Senate Office Building, Washington, D.C., Senator Ben Cardin (D-MD), Chairman, Commission for Security and Cooperation in Europe, presiding

Date: Tuesday, June 7, 2022

Transcript By
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CARDIN: The Helsinki Commission will come to order. Let me welcome our witnesses. Let me indicate this is the latest in our series of hearings in regards to the crisis created by Mr. Putin and Russia and their invasion in Ukraine.

Today's hearing will focus on the European energy security post-Russia, recognizing that Russia – Mr. Putin has used energy as a weapon. European dependence on Russian energy is a major threat to international security. We are now faced with the challenge of how to unwind this dependency in an expeditious way, and that will not be easy.

Russia has long weaponized its energy resources. I authored a report on the Senate Foreign Relations Committee a few years back talking about Mr. Putin's asymmetric arsenal. What he has in his toolkit to try to bring down democratic states, and we talked about yes, his military, but we also talked about his use of propaganda, misinformation, funding extreme groups, and the use of energy as a weapon.

Through use of strategic corruption that has sought to make countries dependent on its gas to exert influence over their policies, this is exemplified by the case of former German Chancellor Gerhard Schroder, who has worked as a gas lobbyist for Russian dictator Putin since the end of his time in office.

Sadly, Russia's policy was successful. Europe is now heavily dependent on Russian energy. Amazingly, it has increased its dependency since 2014 after Russia's initial invasion in Ukraine. This has greatly complicated our ability to impose total blocking sanctions on the Russian economy while maintaining alliance unity.

Part of our strategy in supporting Ukraine is to isolate – is to isolate Russia and to impose sanctions so they recognize that business is not as usual, but energy has complicated that unity with our European partners. Although our sanctions have been historically strong and coordinated, they are still missing a critical energy component.

Banks involved with energy purchases also have not all been sanctioned. As it stands, the European Union is still sending nearly a billion euros a day to Russia. This money is used to fuel Mr. Putin's murderous war machinery.

There is good news. The EU has implemented a coal ban and recently implemented an oil ban, albeit with certain cut-outs. Nonetheless, this is progress. It seems that Europe has finally recognized the severe threat of dependency on Russian energy and is determined to wean itself off of it. The most important thing now is to ban Russian gas. We look forward to working with our European allies to expedite this process.

I am proud of the role that my state of Maryland can play in this. We have Cove Point, which is an LNG export facility located in the state of Maryland, and we're ready to significantly increase our LNG exports. Meanwhile, Russia's brutal and unprovoked invasion of Ukraine rages on.

Millions of Ukrainians have been displaced, and tens of thousands have been killed. Ukrainian cities have been leveled, and towns and villages wiped off the map. It's almost unthinkable that under the current circumstances there are those in democracies who continue to purchase Russian energy.

We need to ensure that we will never be so dependent upon a dictator again. We also need to make sure that Ukraine has reliable energy supplies. The valiant defenders of Ukraine face an enormous host of economic problems on account of Russia's destruction of their homes and infrastructure. Their energy security is of the utmost importance.

This hearing will explore all these questions and how we can respond. Before introducing our witnesses, let me first go to my colleagues in the leadership of the OSCE, the Helsinki Commission, first with Congressman Cohen, the House chairman of the Helsinki Commission.

COHEN: Thank you, Senator. I appreciate the – calling the hearing and your recognition.

It's been over a hundred days since this war has been engaged in by Putin. In December, a couple of months before the war, I had the opportunity to meet with Mr. Vitrenko, who's with us today, and at the time, I don't think he or I had the feeling that Russia would necessarily go through with this war. Maybe I'm wrong, but it was – started to get those inklings in January and early February that it might take place.

When we met Mr. Vitrenko was adamant that the only way that we should respond at that time was to cancel Nord Stream 2 and begin preparing to sanction Nord Stream 1 should Russia invade Ukraine. He said the best way to get after Putin – to get his attention was to go after his sacred cows, oil and gas. At the time, we didn't think about his daughter or the famous gymnast missing somewhere in the universe.

But oil and gas came in close to first. As long as we're dependent on Russian energy, we are held hostage by this crazy despot who is trying to cement his place in history and do it soon. As if it makes a difference after he's dead, if he's Peter the Great II or what he is, because he'll be dead, as will so many of the Russian soldiers, and Ukrainian soldiers, and Ukrainian citizens – none of which bothers him.

But we're dependent on Russian energy, and that's what he's got. And that's what holds us in check somewhat, and that's what gives him a hope for Soviet – Russia to have a past like the Soviet Union had, which wasn't so wonderful, to be honest.

The poor people, the general people, in Russia, in the whole Soviet Union, have always lived terribly, but they have been duped like many in America have been duped. Putin thinks that if the war is over soon enough, we'll forgive him because we need his oil and gas.

Well, we don't, and we need to find alternatives. And Europe is starting to look for alternatives – starting to think about liquid natural gas, looking at more solar and more wind, and so are we. And we need to because we don't need to have oil and gas be a weapon that makes us subservient or tries to make us subservient to the will of a dictator and a despot.

We've imposed some of the most devastating sanctions ever, and they've surprised even the Kremlin. On March 8th, the U.S. said it would immediately ban all Russian oil and gas imports, a move I championed in a letter to the administration, and I said we should call it, when prices at the pump went up, the Putin-Russia tax.

And it is, and I think gas prices have gone up approximately 30 percent since the invasion – not because we cancelled the small amount of Russian oil and gas that we brought in because we put out more gas out of the strategic oil reserve, it's gone up all over the world. The price of gasoline is up everywhere because of Russia, because of the OPEC, and the greedy Saudis. And the American companies who have made fortunes and fortunes and greater profits than ever and not considered the patriot at the pump. It's been their historic profits.

It's not Biden's problem – it's Biden's problem, but it's not his fault. I was at transatlantic dialogue over the break, and I asked every one of the folks that were with us – there were about seven different European parliament countries in attendance – what was their situation with gas? They all had gasoline prices up like we did, and I asked them somewhat facetiously – totally facetiously, was it Biden's fault? And they laughed. Well, when they say in America it's Biden's fault, we should all laugh, too. The same thing with inflation. What's your rate of inflation? Nine percent, 10 percent. Biden's fault? They laughed. We should laugh, too, when people in our country blame Biden.

Now, we're doing what we can do to try to improve the supply chain, and we're doing the things we can do to make America compete, but these are worldwide problems caused by COVID, caused by the war in Ukraine, and caused by factors that are beyond that of President Biden or any one president.

So, we need to remain vigilant in our work against Russia and its oil power over Eastern Europe and Europe in general, and help our European allies with liquid natural gas, and support them in these efforts. And always we can, and I think we're doing that. And I think President Biden is doing a good job with that.

It's difficult to make the transition, especially in Germany where they've reduced their nuclear power opportunities – which they had much and I wish they still used, but that's neither here nor there. They've made their decision. We need to use this awful situation to improve our energy alternatives here and abroad and encourage our allies to do the same.

So, I thank the witnesses for being here. I very much look forward to what you can tell us about the situation and how Ukraine is dealing with the loss of supplies that they've had from Russia's missiles hitting their energy sources and their reservoir deposits.

Thank you. I yield back.

CARDIN: I now recognize the Ranking Republican Representative Wilson for an opening statement.

WILSON: Thank you, Chairman Ben Cardin and Chairman Steve Cohen, for calling this important hearing today. In the face of war criminal Putin's war of mass murder in Ukraine, the free world is working to free itself from the yoke of Russian energy and stop funding Putin's war machine a billion dollars a day. Forward-thinking solutions to reduce Europe's dependence on Russian gas and oil require reflection on how we got here today.

Today, Germany, Europe's largest economy, depends on Russia for over half of its natural gas supply and one third of its oil. For decades, those skeptical of warming ties for what we hoped would be a free and democratic Russia warned against this level of dependence stating that – what is now Putin's authoritarian regime could weaponize energy supply, something we've seen come to fruition more than once.

Now, our allies face the question of how to replace Russian energy as quickly and painlessly as possible. The European Union has enacted a ban on Russian coal and partial ban on oil, but this is not enough. The global energy supply must be future proofed using a diverse and multiprong approach to safeguard global supply from control and manipulation. Countries should examine their own domestic production policies to ensure they're not outsourcing their entire supply needs.

Additionally, the expansion of roads via the Southern Gas Corridor should be accelerated, as Azerbaijan indicates its ability to ramp up production and supply to Europe. Qatar also shows itself as a reliable and effective partner to supply natural gas to Europe promising not to divert contracts in solidarity with Europe.

The issue of oil will prove tougher to solve. The United States should resume energy independence and increase domestic production and exporting of petroleum products to our European allies, especially as we just learned through Maryland. And we should continue working with our other global producers to increase supply.

We are grateful to the witnesses for their time and expertise. We look forward to discussing further how the free world can bolster its energy supply and stop funding Putin's war machine.

I yield back.

CARDIN: Thank you, Congressman Wilson.

Let me just acknowledge our other two Commission members who are here, Senator Shaheen and Senator Blumenthal.

And we are very pleased to have the distinguished ambassador from Ukraine, Ambassador Markarova. It's always a pleasure to have you on our committee. We appreciate your working with us in unity, so that we can show leadership and support of the Ukrainian people and join in an international effort to isolate Russia. I'd be glad to hear from you.

MARKAROVA: Thank you very much, Chairman. It's always a pleasure to be here with all the distinguished members. Thank you very much for attention to this very important issue today.

For more than a hundred days we are in full-fledged war, which started eight years ago. The results are devastating. The results are devastating for Ukraine with more than 7 million people who had to flee the country, mostly women and children; more than 8 million people who are internally displaced; more than 10 million people who live constantly under the shell and attack, and under the occupation sometimes.

And we all know what happens to these people when they live under occupation. Everyone saw the pictures of Bucha and other places, and everyone saw how cities like Mariupol and Kharkiv and Chernihiv – some like Mariupol were 95 percent destroyed, and some have been like Kharkiv and Chernihiv, damaged forever.

Now, this ongoing aggression is not only, you know, full collection of war crimes that we see in Ukraine – all imaginable or unimaginable – tortures, killings, rape, and horrible things for which Mr. Putin and everyone involved have to be held accountable.

But it's also – he's also using – Russia is using a number of resources as weapons. Food for start, but energy, and this is what is very important for all of us to discuss – that energy is being used against Ukraine and against European Union and globally against everyone as a weapon that Mr. Putin is using in order to punish everyone or coerce everyone not to fight with him.

But also, you know, to create difficulties in so many democratic countries, where people will suffer from increased prices and would blame their own governments when there is only one person to blame, it's Putin and his regime and Russia that is waging this war.

Similar, this is the greatest source of the invasion force. Sixty billion of euros that were paid approximately during these three months – a little bit more of three months of full-fledged war to Russian budget – is a source which Russia is using to kill people in Ukraine.

Just think about it. The 60 billion (dollars), it's 500 tanks, it's another vessel like Moskva. I mean, you can count how much weapons you can buy with this – instead of sanctions and the military support, which U.S. and all other military strategic friends are providing us in order to defend our democracy, and our sovereignty, and freedom.

So, I just would like to be very brief here, and thank you for this very important meeting. Thank the U.S. administration and also Congress on a very strong bipartisan basis for leading, especially in the sanctions, especially in the energy sphere. And I really hope that, with your leadership, all of our friends and allies throughout the globe will join this and would be able to – as soon as possible to part Mr. Putin with all these resources that he will, A, stop the aggression in Ukraine. He will get out from our country, but also that we can all return to how to get back the security – global security. Because without this, we cannot restore the international rule of law, which Russia violated, and it also shows a very bad example to all other autocratic regimes, or other countries, that might think that in the 21st century you can still cross the border and attack a sovereign country and resolve some of your – fulfill some of your dreams like that.

So, thank you very much for this important meeting, and I look forward to hearing what the witnesses will be saying.

CARDIN: Well, Madam Ambassador, again, thank you very much. I can assure you we stand with the people of Ukraine. It's bicameral, bipartisan. We will continue to be with you. We recognize you're at the front line on preserving democracy in Europe and throughout the world, so we recognize the sacrifices that you are making and your people are making.

And as Congressman Cohen pointed out, the pricing – prices that we're paying on energy today as a result of Mr. Putin's campaign squarely is on the shoulders of Mr. Putin, and it's a small price that we're paying comparing to what the Ukrainian people are paying for Mr. Putin's aggression.

We have a very distinguished panel of witnesses today. Our first witness is Yuriy Vitrenko, who is the CEO of Naftogaz Ukraine, the country's largest energy estate-owned company.

Over his career, Mr. Vitrenko has held several positions throughout Naftogaz, where he has focused on reforming the energy sector ensuring Ukraine's energy security, driving market reforms, and promoting European integration of Ukrainian's gas sector.

Between '20 – '20 and 2021, Mr. Vitrenko served as the acting administer of energy of Ukraine. Prior to his work in the energy sector, he developed a robust leadership experience throughout the financial sector and in consulting services.

Mr. Vitrenko, we look forward to your testimony.

VITRENKO: Dear Mr. Chairman and honorable members of the Commission, thank you very much for inviting me to share my views on this important and timely topic.

Before I turn to the subject, I would like to thank President Joe Biden and the bipartisan support of the U.S. Congress for America's unwavering commitment to Ukrainian independence and its territorial integrity. As well, the Ukrainian people are very thankful for the political, military, economic, and humanitarian support given to us during Russia's unlawful invasion of Ukraine in 2014 and 2021.

The European Union has developed a rather comprehensive plan to eliminate its critical dependence on Russian gas and oil titled, Repower EU. Although it stops short of making Europe wholly free from the Russian Federation, but from the Ukrainian perspective it's not the biggest problem with this plan.

The biggest problem in this plan allows Russia to continue enjoying enormous profits from exports of oil and gas to Europe, at least in the short run. Even though volumes of exports are falling because of the EU actions, record high global prices more than compensate for the volume and decreases, and thereby, Putin's regime is now receiving more money than it did, for example, last year.

Naftogaz of Ukraine together with the Gas Transition System Operator of Ukraine submitted to the European Commission our detailed proposal addressing these and other problems. Some of our suggestions were considered, but not all.

We continue our constructive dialogue with European Commission and hope that it will soon consider the following suggestions from our side: implementing sanctions against Nord Stream 1; fighting abuse of market dominance by Gazprom, in particular making Gazprom unblock flows of natural gas from Central Asia, and transfer the gas and weapons to the Ukrainian-Russian border; specific storage obligations for European importers of Russian gas.

As a member of the International Working Group on Sanctions on Russia headed by Andriy Yermak, head of the office of the president of Ukraine, and Ambassador Mike McFaul, director of the Freeman Spogli Institute for International Studies, recently presented the energy sanctions roadmap recommendation on sanctions on the Russian Federation.

Following the presentation of the action plan on tightening sanctions on Russia, we continued our work and prepared a document detailing energy sanctions helping governments and companies around the world formulate proposals for sanctions on Russia. The application of energy sanctions should increase the cost of invading Ukraine for Russia and help the Ukrainian state protect its territorial integrity, freedom, and democratic values.

Unfortunately, so far not all of the recommendations of the expert group have been implemented. First, to the developing debates about risks and benefits of different options for the sanctions, I would suggest considering anew a slightly modified option of a transfer cap whereby financial sanctions that would allow transfers of payments from European uptakers of oil and gas sold by Russian companies to Russia only within a defined cap – a barrel of oil or a megawatt hour of natural gas.

The difference between the full amount paid by uptakers – presumably they will pay according to the price as specified in their contracts – and money transferred to Russia within the transfer cap will be frozen until Russia withdraws from Ukraine and pays reparations. The transfer cap should be set at the level that covers opportunity cost for Russian producers, but this level is expected to be times lower than the contract prices.

As a result of the transfer cap, Putin's war machine will be starved. Russia will have a clear motivation to stop the war and compensate damages, while market disruptions will be prevented. In fact, we might see market trends opposite to the current trends, yet positive for Ukraine and for the free world as a whole. Russia will have to supply more to global markets while getting times less money than now because of the transfer cap. Besides, market prices will decrease due to increased supply.

Natural gas is an energy source for heating for about 90 percent of Ukrainian households. That is why here in the United States, we're discussing with the U.S. government some very practical ways to ensure financing of natural gas purchases of U.S. LNG that can keep the lights on in Ukraine. I would be happy to answer your questions, because I'm running out of time. Thank you very much.

CARDIN: Well, thank you for your testimony. Your entire testimony will be made part of the record, and we appreciate your summarizing in the five minutes. It gives us more opportunity to have an exchange with the members.

Our next witness is Constanze Stelzenmüller, who is the senior fellow at the Brookings Institute, where she is the inaugural holder of the Fritz Stern chair on Germany and transatlantic relations in the Center on the United States and Europe, and previously served as the inaugural Robert Bosch senior fellow from 2014 to 2019. She also holds prestigious positions at the Library of Congress and the German Marshall Fund. She has been a visiting researcher or fellow at Harvard Law School, Grinnell College, and the Wilson Center. Her areas of expertise include transatlantic relations, German foreign policy, NATO, European Union's foreign security and defense policies, international law, and the list goes on and on and on. I don't know if we have time for anything else other than that. It's wonderful that you're here. We very much appreciate your testimony.

STELZENMÜLLER: Thank you very much, Senator. I'm sorry I didn't get a chance to edit that bio. But Chairman Cardin –

CARDIN: No, you deserve every one of those praises. That's fine.

STELZENMÜLLER: (Laughs.) Chairman Cardin, Chairman Cohen, distinguished members of the Helsinki Commission, it's an immense honor for me to be invited to testify before you here today, together with my other distinguished panel members, Yuriy Vitrenko and Ben Schmitt, who are friends, on this critical issue.

I want to emphasize here that I'm not and have never been a government representative. I speak in my individual capacity as an analyst of German and European politics. I'm also not an energy expert. I'm here to contextualize a bit. And I've noted in my written testimony that I've signed, I think at this point, two or three petitions, two of whom, I think, have called for an immediate stop of oil and gas imports. But I realize that I'm here to explain why Germany is not doing that, and I will do my best to do that. I realize that's a bit of lipsticking a pig, but I will give it my best shot.

Germany is – I'm sure I don't need to tell you – the case study in the West of a middle power which made a strategic bet on a full embrace of interdependent globalization – 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. And it's now finding itself excruciating vulnerable in an early 21st century characterized by great-power competition and an increasing weaponization of interdependence by allies and adversaries alike.

And the war in Ukraine, which touches on almost every single one of our bilateral, local, regional, and global interests, only accentuates this exposure. Guilty as charged. And the fact that this horrific conflict is taking place in the region that was part of the bloodlands – a term coined, as you know, by historian Timothy Snyder, where Hitler, and to a slightly lesser degree Stalin, murdered tens of millions of people – is lost on no one in my country.

Where are we now on Germany's attempts to uncouple? As has been said, oil and gas account for about 60 percent of primary energy. Russia has long been the biggest supplier of both in my country. On the eve of the war in Ukraine, it provided a third of Germany's oil, half its coal, and more than half its gas. And that means we have been importing around $2 billion worth of Russian gas, oil, and coal a month, thereby helping to finance Vladimir Putin's war in Ukraine. I'm quoting The Economist here, but of course that is factually correct. I am not going to fight that.

As you know, we have a new government that arrived in Berlin in December 2021, which had a couple of energy issues of its own well before the war started. Its declared goal was to phase out nuclear power by December '22, coal by 2030, and on top of that it had an extremely ambitious climate transition plan. But Germany was also Gazprom's main foreign buyer, and Gazprom owned most of its underground gas storage facilities in Europe. I'm going to make this very quick. We're basically out of coal. The last ship transporting coal arrived in Rostock Harbor last week. Russian oil is – which supplied 25 of our oil needs, now down to 12 percent. That's a partial embargo, but it is, I think, a very significant one. Happy to go into details.

Gas remains the big problem. Gas is – we're now at this point from 55 percent of our gas needs imported from Russia, we're down to 35 by increasing imports from Norway and the Netherlands, as well as bringing in LNG. We have no LNG terminals in Germany. We're now leasing floating regassification terminals at a cost of more than $3 billion. But our energy minister – our economics minister, Robert Habeck, has said that we can only bring this down further with a massive national effort. The goal is to bring it down to 10 percent by 2024.

There's a huge fight in Germany going on right now, whether it would be possible to cut off all of Russian gas right now. And there are economists who say one thing and more economists who say the other thing, with I think persuasive arguments on both sides. I will remind you that Secretary of the Treasury Janet Yellen warned a couple weeks ago about imposing a complete ban on Russian energy imports, saying that such a – such a move – such a sudden move, and the shock of such a move, could harm the global economy. If you look at German opinion polls, you will find that people are willing – at least a third of pollees and those respondents – are willing to contemplate a complete cut off now. Two-thirds say it should be done step by step. So that's the political bandwidth that decision makers have to make that decision.

And because I only have 14 more seconds, I want to say that while I have made – I have a position on this, I do believe that there are honorable reasons for German decision makers to be hesitant about this. And those honorable reasons are that they're not saying we shouldn't decouple. They're saying – they're disputing at what speed and at what price. That is the question before us, not whether to do it. And I think it is clear to everyone that the horrors that we have seen are not over, but more is before us, and more will be asked of all of us. And I believe that decision makers in Berlin know that we have no good choices, only bad and less-bad ones, and imperfect knowledge about which those are.

So I think decision makers in Berlin, Chancellor Scholz and Economics Minister Habeck are faced with terribly difficult and consequential decisions, with incalculable second and third order implications. I think the key reason – one of the key reasons that is not appreciated here of why they're hesitant – and I realize I'm running over, but I do want to make this last point – is our deep integration with our neighboring economies, particularly Eastern Europe. Much of our manufacturing supply chains go deep into Eastern Europe. So a recession in Germany would absolutely produce a massive, and perhaps worse, recession in our neighboring economies. That is something we have to consider. The economic price we pay would also be paid by our neighbors.

I'm going to stop here. I'm sorry for stumbling a little bit. This is the result of a concussion I had four weeks ago, and I'm still a little bit – a little bit woozy. I hope I made myself clear, and I look forward to your questions.

CARDIN: Oh, you have made yourself very clear and you're raising a lot of very interesting subjects that we may want to talk about, including Nord Stream 2. So we'll get – we'll get to those issues, I'm sure, during our question period.

Our final witness is Dr. Benjamin Schmitt, who's a research associate at Harvard University and senior fellow in the Democratic Resilience Program at the Center for European Policy Analysis. He holds numerous degrees in mathematics, experimental physics, and German language and culture. He served as a U.S. Fulbright research fellow to the Max Planck Institute for Nuclear Physics in Heidelberg, Germany. From 2015 to 2019, Dr. Schmitt served as European energy security advisor at the United States Department of State, where he advanced diplomatic engagement vital to the energy and national security interests of the transatlantic community. Dr. Schmitt, glad to hear from you.

SCHMITT: Chairman Cardin, Co-Chairman Cohen, distinguished Senate and House members of the Helsinki Commission, thank you for the opportunity to speak on an issue as vital to transatlantic security as supporting Europe's energy security today. As Senator Cardin said, my name is Dr. Benjamin L. Schmitt. I previously served as European energy security advisor at the U.S. Department of State, and I'm currently a research fellow at the Harvard Smithsonian Center for Astrophysics, senior fellow at the Center for European Policy Analysis in Washington, and a fellow of the Duke University Center for International and Global Studies.

With heavy fighting ongoing in Ukraine and the wounds of Bucha and Mariupol still open and bleeding, the transatlantic community doesn't have the luxury of time to define an effective path forward in countering this new phase of Russian aggression. This is why we need an equally aggressive multidisciplinary, anticipatory diplomacy approach to respond.

This is especially true concerning Europe's dependence on Russian energy resources, because Putin's Kremlin has weaponized energy against Europe for years. And because hydrocarbon revenues have played an outsized role in funding Moscow's war-making capability. Given this reality, we need to take a lessons-learned approach to identify energy policies that have been successful to curb the Kremlin's energy influence in the lead-up to the war, and we also need to be clear-eyed about the mistakes that were made so they are not repeated again.

So three key lessons I want to leave you with that should guide policymakers today include, first, energy and critical infrastructure proposals advanced by authoritarian nations, like Russia, are not just commercial deals. The second lesson is that energy diversification infrastructure has been effective at countering Russian energy weaponization. And third, that sanctions have been an effective tool to slow and stop Kremlin malign energy influence.

On the first lesson, given total state control in authoritarian nations like Russia, nearly every sector of society can be weaponized to advance geopolitical aims, from cyberspace to supply chains and, yes, even space assets. This includes Russia's long and sordid history of weaponizing energy against Europe, including numerous gas cutoffs of Ukraine for political blackmail. In 2021, the Kremlin intentionally limited natural gas volumes exported to European storages, many of which are owned by Kremlin-controlled Gazprom itself.

This created EU-side gas scarcity that limited the latitude of foreign policy responses to Putin's invasion of Ukraine. Russia also uses energy proposals, as has been said, like Nord Stream 1 and Nord Stream 2, to advance strategic corruption and elite capture across Europe. This includes former senior officials leaving office only to end up working for Russian state-owned energy firms, like Gazprom and Rosneft. While you likely have heard of the infamous case of former German Chancellor Gerhard Schröder taking multiple such roles after leaving office, over the last decade a long line of officials have followed in his footsteps – including from France, Austria, and elsewhere. This trend became so notorious it got a name, Schröderization. And it is dangerously undermining confidence in democratic norms today.

On the second lesson, in recent weeks Moscow has increased its energy pressure to deter a united European response to its invasion of Ukraine, cutting of gas exports to Poland, Bulgaria, Finland, Denmark, and the Netherlands. However, effective energy infrastructure policy, driven both by the European energy union concept and effective U.S. energy diplomacy over the years, has made these countries resilient to Russia's cutoffs. In fact, Poland and Bulgaria were able to neutralize this pressure by opening a myriad of energy infrastructure diversification projects that came online this year.

And on the third lesson, finally, we've got to be clear. Congress has been consistently right with its sanctions policies to limit Russian malign influence through energy over the years. This is particularly true when it comes to measures to stop the Kremlin-backed Nord Stream 2 pipeline. Nord Stream 2 was a long-running geostrategic anchor that Germany clung to, even as Russia openly created a gas crisis last year, and likely emboldened Putin's confidence that energy pressure could limit Western pushback on his looming invasion. Nevertheless, Congressional sanctions worked. The Biden administration finally sanctioned Nord Stream 2

AG and its corporate officers in the hours before Russia's invasion, forcing the project into bankruptcy within days and, hopefully, ending the project for good.

So with these lessons in mind, I want to leave you with three recommendations. First, we need to dramatically increase transatlantic energy sanctions on the Putin regime. Our collective goal needs to be a total oil and gas embargo of exports from the Russian Federation. But until we get to zero, there's things we can do. First, we can increase tariffs on Russian energy to continue to depress the Urals crude price, the Russian crude grade, with respect to the Brent price. We can implement escrow accounts, so Russia can't immediately cash in from interim energy sales. And the U.S. and the EU should issue joint sanctions to permanently stop Russian energy export pipelines like Nord Stream 1, while increasing sanctions on insurers and technical service providers for Russian energy ventures.

Two, we need a wartime level of effort to deploy energy diversification infrastructure, to make Europe independent of Russian energy for good. This also has to include steps to end ownership of EU oil and gas infrastructure by Russian-controlled Rosneft and Gazprom. And, third and finally, we need to curb Kremlin strategic corruption in Western democracies. This needs to include Congress passing what I call the stop helping America's malign enemies, or SHAME, act, to end the possibility for former senior officials and set an example to the transatlantic community that former senior officials in government cannot leave the public trust and then serve for authoritarian nations. This would help end the trend of Schröderization for good.

So to close, for the sake of Ukraine's struggle, we must rise to the occasion with effective European energy security policy. And for those the sake of those millions of people now exposed to the Kremlin's malice, failure is not an option. Thank you for your attention, and I look forward to the discussion.

CARDIN: Well, let me thank all of our witnesses. I found this to be very, very helpful. There's no question about the vulnerability that we have in Europe relying on autocratic countries and regimes. So, Ms. Stelzenmüller, you were very candid in your presentation about how dependent Germany is today on Russia. Not just on oil, but a more integrated economy. One thing we have learned is that when you're dealing with autocratic regimes, they're not reliable. Corruption clearly will be part of the game plan, as we saw with the use of the former German officials by Russia. We also find that these autocratic regimes will eventually be aimed at bringing down democratic states. We also find they're not reliable as far as the supply chain, whether it's energy or other commerce, and they'll weaponize that.

So I understand the challenge we have – the immediate challenge. But for our national security, we need to wean ourselves off of dependencies from autocratic regimes. It's in our national security interest. They want to bring us down. We want to engage. They want to bring us down. Senator Wicker is leading a conference committee on the Republican side, the USICA act, known as the COMPETES Act on the House side, that is aimed at trying to have reliable supply chain sources outside of autocratic regimes for this very reason. So, yes, it's easy for the United States to be a leader on this, because we're not anywhere near dependent like Europe is on Russia.

So, Mr. Vitrenko, let me start with you. How do we get unity with our European allies to strengthen the sanctions – energy sanctions – against Russia? Clearly, you'll have no difficulty getting Congress to take the most dramatic steps we can to strengthen the sanctions. But tell me practically, how can we get our European allies to move in a more aggressive way on energy sanctions?

VITRENKO: Thank you for this not very easy question, because we should realize that there's a very strong, for example, manufacturing lobby in Germany that likes dealing with Putin's regime because they believe it gives them some competitive advantage – unfair competitive advantage. For example, over U.S. businesses and other businesses all over the world. Also, frankly, I personally think that the German industry has other competitive advantages – their engineering talent and their future should not be subject to Putin's will, if he allows Germany to be more competitive or less competitive.

To be practical, I believe that when we develop a sanctions package against the Russian oil and gas, we should look at interests of different European countries to take them into account. But at the same time, not to allow free ride and not to allow corruption. And there is still a problem of corruption, even inside the European capitals. As a practical solution, for example, in this respect, I would reiterate that this idea of a transfer cap, when we allow for a very limited period of time as a transitional arrangement some flows of Russian oil and gas into the European or into the global market. But we would limit the amount of money that can be transferred to Putin. And in such a way, we would motivate, again, Putin to stop this war and to compensate for the damages that his aggression, again, caused.

If it's implemented in such a way, I personally believe that there would be more European governments on board. At least, they would not have an excuse to their U.S. colleagues, for example, for not implementing so necessary sanctions against Russian oil and gas. And just to conclude, as you mentioned yourself, gas is currently the most important issue because oil is fungible. If it doesn't flow to Europe, it can flow to other countries. It's a second question how to limit the damage of this kind of fungibility of oil. But natural gas can flow only to Russia because it takes decades to build new pipes, for example, from Yamal to China.

So if Europe implements sanctions against Russian gas, it would immediately mean that Putin will get much less money. It would be difficult for Putin to continue financing the war. It would lose support of his soldiers and, again, general public support in Russia. It would make him stop the war.

CARDIN: So I agree on the gas. Gas is, to me, the key here. The question what do we do in the short term versus the long term. Long term, we do need to build the infrastructure capacity to deal with LNG, to deal with the pipelines. For the life of me, I could never understand why Germany went forward with Nord Stream 2 from the beginning. I just never understood that policy. It was flawed from the beginning. We called it at the beginning for what it was. And it really put Ukraine in a very, very difficult position, from the point of view of weaponizing energy.

So, Dr. Schmitt, I mean, perhaps start this question with you. What can we do in the short term to deal with the gas needs of Europe if, in fact, we impose real sanctions against Russia's gas?

SCHMITT: Well, Senator, I think that we need to do a number of things. Number one, we need to continue what the Biden administration has been doing to do effective energy diplomacy to identify gas volumes around the world working with suppliers like Qatar and others that have been – that have been mentioned. I know that Senior Energy Advisor Amos Hochstein, who's testifying later this week, has been in charge of that and has been doing an effective and really great job on identifying and doing effective energy diplomacy. We need to continue that.

But we really need to take a wartime level of effort in terms of funding, permitting, and getting built as quickly as possible the actual energy infrastructure around Europe to increase the throughput capacity of natural gas volumes that are actually coming in. Meaning we need floating storage and regassification units, basically, because these are these floating LNG import ships that can be deployed much faster. And they can be put in places like Gdańsk, Poland; like Brunsbüttel and Wilhelmshaven, Germany.

I personally think that we need to look at locations that already have a significant onshore infrastructure to build that gas in. That means Lubmin, Germany, where Nord Stream 1 and 2 come online. It has a fantastic amount of infrastructure that can be plugged in and instead bring non-Russian LNG in, and also send a message to Putin that we can't return to business as usual with projects like Nord Stream 2.

And I also think, of course, we need to, you know, basically be doing all of this as quickly as possible, because we're at the end of the heating season, or maybe weeks after the end of the heating season in Europe, meaning that all of the gas storages that were not filled up last year because they were owned by Gazprom and Gazprom manipulated and intentionally allowed the gas volumes to be reduced, need to be filled. And Germany, for example, is taking effective early steps to expropriate or end Gazprom ownership of these facilities. That needs to happen across Europe. We can't have any Russian ownership of critical energy infrastructure anymore – period.

That means that it will allow all these new infrastructure that we're building to actually build up and fill up those gas storage facilities ahead of next winter, so we aren't in a gas crisis anymore and so that we're resilient as Russian aggression continues, you know, horrifically against Ukraine to push back on that.

CARDIN: Thank you. Congressman Cohen.

COHEN: Thank you. Mr. Yuriy Vitrenko, how is Ukraine doing? And maybe the ambassador can answer this as well, and I'm going to go to you first, with its energy needs during this war?

VITRENKO: I would just reiterate, by the way, how grateful we are for the support of the United States, because it would be next to impossible for us to fight against this brutal force without such support. But at the same time, for example, in the gas sector, because we were serious about preparing for the wars last year we, for example, at Naftogaz – we turned the Naftogaz around to make Naftogaz profitable and financially healthy company. We also started to increase our local production at the end of the year, reversing the negative trends of the past. That allowed us to prepare so that during the first months of the war we were able to provide enough gas to all the customers in Ukraine, maybe with some rare exceptions in some areas with heavy fights where the whole infrastructure was just destroyed.

We're still providing natural gas to some newly occupied cities. We provide natural gas supplies to besieged cities and villages in Ukraine. We also were able to provide the financial support to our customers during these last three months, in the region of $3 billion. We can continue like that for the next couple of months, then we will need some international assistance. So, so far, I would say that in the gas sector Ukraine is doing fine. Ukraine is showing strength and its resilience. But we would need, again, help for the next heating season, because Ukraine would need to import up to 6 billion cubic meters of gas. At current market prices it's about $8 billion. And that's something – that's a big challenge for Ukraine at the moment.

But we're working now with the U.S. government about finding ways – more commercial ways. Again, export financing, guarantees, even considering such an option as using gas as a part of a land lease that you, the Congress, approved. Thank you again for that. It's a game-changing effort. So combined, we believe that we will be also to ensure that Ukraine is resilient, Ukraine can fight this maybe prolonged war against Putin.

COHEN: So the Ukraine war machine is not being affected by Russian attacks on oil?

VITRENKO: Ukraine war machine has been affected. Our oil, for example, facilities were destroyed. We had two refineries. Two out of two are basically destroyed by Russian missiles. Our oil product depos, our oil infrastructure, unfortunately, has been damaged significantly. But in terms of our gas infrastructure only, again, in those areas where the heavy fight we are not able to continue supplying gas. In other areas we continue producing gas, storing gas, transporting gas. Even some brave European companies, since the beginning of war, brought some gas to store in our underground gas storage facilities. So from that perspective, again, Ukraine needs help, but we are showing our resilience.

COHEN: Well, so you give me assurances about the people and next winter and all that. But how about keeping the tanks rolling and the airplanes flying, and all the convoys? Do you have petroleum for that? And if not, where are you getting it from?

VITRENKO: Probably I cannot disclose all these state secrets because, again, providing fuel for the military is a very sensitive area. Currently, yes, we have been able to provide the necessary fuels for the military, despite, as I said, targeting attacks of the Russian army. And also, yes, our government helps a lot on that. But I'm not sure that I can reveal all the secrets in this respect.

COHEN: Is Chernobyl producing energy?

VITRENKO: No. And again –

COHEN: How about the other –

VITRENKO: – we have concerns about waste-management facilities, nuclear waste-management facilities.

COHEN: And how about the other nuclear facilities in Ukraine?

VITRENKO: They're all producing electricity, although we have a specific concern for the – our biggest nuclear power plant, currently occupied by Russians. We know that they're trying to change – basically to disconnect from the Ukrainian grid and connect it to the Russian grid. It's very dangerous, by the way. Nobody can guarantee that nothing really catastrophic doesn't happen. It's the biggest nuclear power plant in Europe. And we already witnessed barbaric – I cannot call it any other way – attitude of Russian forces in respect to this nuclear power plant. They shot from tanks at the administrative buildings with all the critical, again, IT systems. And it was just – nobody could imagine that nowadays we can have something like that happening. And the whole Europe was on the brink of catastrophe.

COHEN: Thank you, sir.

Ms. Constanze Stel – (laughter) – thank you.

STELZENMÜLLER: It happens all the time.

COHEN: What about nuclear and Germany? Any hope that it comes back? Can it come back? The political will and the physical infrastructure?

STELZENMÜLLER: Sorry, is this on? Yes. I'm sorry, Chairman, that one is a straight no. I'll tell you why. Because Germany has been disinvesting not just from building new nuclear power plants, but also from training the people who manage it and who have the scientific and the managerial expertise for power plants for a very long time now. This is just something I've pick up. I'm not an expert here. But I think you can forget that. And also, for political reasons. A majority of the German population is against using nuclear power plants.

Frankly, if you want to – if you want to resolve European energy problems, I think it would be much more fruitful to look at the European energy grid and the Europeanization of energy policy. Such as, for example, creating energy connectors from Spain, via France, to Central Europe. The French have resisted that for a very long time. I think that's a huge mistake. The Spanish have both a lot of renewables, in the form of solar power, but also have LNG terminals that we do not yet have.

And I just want to reiterate what my friend, Dr. Schmitt here, has been saying. That the Germans are actually racing right now to build – buy and build LNG plants, terminals, and to expropriate Russian-owned storage facilities. One thing to keep in mind here, which I think a lot of people are not aware of, we have the single-biggest storage facilities in all of Europe. And one of the key challenges, it seems to me, for the coming winter is not just providing Germany, but providing the rest of Europe from those facilities, with help of reverse-flow capabilities. Sorry, this is still the concussion. And that's a really big challenge.

COHEN: And let me ask Mr. Schmitt, Schröder. Is he a pariah now?

SCHMITT: He's been a pariah for many, many years. And I'll say this, he has left – in the past couple of weeks, he resisted – he had a very, you know, high-profile New York Times article where he says, you know, he doesn't do mea culpas, I think, something like that. The bottom line is, in the past few weeks he's been pressured because of European Union, Brussels, pressuring and bringing the threat of sanctions against him, himself, to leave the board of Rosneft, the Russian state oil company, to turn down or at least not in the running for being on the board of Gazprom. But guess what? He's still on the board of Nord Stream AG, that is majority owned by Russian state-controlled Gazprom. That's still a problem.

And this is exactly why I wanted to talk, you know, in my opening statement and make sure – I'm pitching this SHAME act. Because if small-case shame hasn't worked over the years – and, I mean, there's been poisonings, there's been cyberattacks, there's been election interference. Every malign influence and malign activity under the sun that Russia has been able to weaponize has been brought against Europe. And nevertheless, Germany clung to this project. And in particular, these folks have taken these jobs, right? So after leaving office, the former Austrian Chancellor Christian Kern worked for Russian Railways. The former Austrian Foreign Minister Karin Kneissl worked for Rosneft. Former French Foreign Minister Francois Fillon worked for not one, I believe, but two Russian state-owned oil and gas trading firms. The list goes on and on. This is why this term, Schröderization, is out there.

And the problem is, this isn't – you know, this isn't illegal. Imagine for a moment, you know, this – you know, we're up on Capitol Hill. Imagine for a moment that former Presidents George W. Bush or Barack Obama were working for China state-owned Huawei. It wouldn't just be a story in the United States, it would be the only story. But the problem is this hasn't been normalized in other areas of the world and other global democracies. And that's why we need the big SHAME act, stop helping America's malign enemies act, to lay out a transatlantic roadmap, basically starting with legislative efforts here in the United States, that will end the ability of former senior government officials to work for authoritarian state-owned enterprises – period. It shouldn't be that controversial.

COHEN: Thank you. And I yield.

CARDIN: Congressman Wilson.

WILSON: Thank you very much, Mr. Chairman.

And, Ambassador, it's great to see you again. And thank you for your inspiration, the President Volodymyr Zelensky. Again, it's an inspiration to the world. And as I traveled through – around the country, around the world – I was in Vilnius last week. And just to see the whole concept of David versus Goliath, and David will win. So this is excellent.

And, Mr. Vitrenko, sanctions have been one of the key prongs of Western response to Putin's war of mass murder. What further sanctions should we impose on Russia to, indeed, cover energy? And what actions would help Ukraine most to win?

VITRENKO: Thank you for the question. Our biggest priority at the moment is to impose sanctions on Russian gas, because it's currently the biggest source of revenues for the bloody Putin regime. There should be a full embargo on Russian gas, with only possible transitional exemption. But it should be subject to this mentioned transfer cap. So for example, currently the price of Russian gas in Europe, it's about $1,000 per 1,000 cubic meters. So it should be allowed to transfer only a small fraction, let's say $100, for example, to Putin, to Russia. And the rest – let's say $900 per 1,000 cubic meters – should be frozen in an escrow-type kind of accounts through financial sanctions that can be imposed by the United States and the European Union.

WILSON: And with the technology such as floating terminals, the ability to replace Russian Putin gas could be done relatively quickly, couldn't it?

VITRENKO: Yes. But under this exemption, again, one can expect that the Russian gas will still flow for this very limited period of time while, within a year, Germany has a potential to fully replace Russian gas with, for example, U.S. LNG, Canadian LNG, supplies from the Middle East, any other LNG. But also, what is very important, for example, Germany can start importing Ukrainian electricity produced from Ukrainian nuclear power plants.

Even if they don't want to develop their own nuclear power plants, we have now surplus of electricity produced by our nuclear power plants and can replace 10 billion cubic meters of Russian gas, should we be allowed to export our electricity to Europe. And it also give money for the Ukrainian state, basically, to finance our resilience. So if there is a will, there is a way. Germany should be even more serious about getting rid of this critical dependence on Russia and Russian energy.

WILSON: I appreciate your enthusiasm because it's startling to me. It's against their self-interest not to do this long term. And indeed, the extraordinary ally that we have of Qatar can make additional production and then, hey, I'm happy to hear of even a state like Maryland, that there's a capability of export. And so –

CARDIN: What do you mean, even a state like Maryland? I don't think – (laughter). I noticed that.

WILSON: And so, hey – but, hey, the bottom line is – I was pleasantly surprised, Mr. Chairman, to find this out, OK? Now, Ms. Stelzenmüller, the circumstance of Germany's leadership responding to Putin's war. Initially it was pathetic. And it was – but it has changed. And so what can we do to work, again, with our deal allies of Germany?

STELZENMÜLLER: I really apologize for my last name. (Laughter.)

WILSON: No, no, no, it's a good and beautiful name.

STELZENMÜLLER: We do that to annoy our allies. But, yeah, but there are actually a lot of American Stelzenmüllers. And some of them have even kept the umlaut. They immigrated via Birmingham, Alabama. Just saying.

But to answer your question, I think that, if I may say so – I'd like to make two points, actually. Gerhard Schröder is a nonentity in Germany. He's an embarrassment. People are ashamed of him. His own party is ashamed of him. And they're currently trying to throw him out of the party. He is in no way relevant for the politics of my country. And I just want to make that very clear. He makes me angry and ashamed, but he is irrelevant.

As for the German reactions, you know, we cancelled Nord Stream 2 on – or, suspended Nord Stream 2, but it's since gone – the company has since gone into bankruptcy – on February 22nd, two days before the beginning of the war. And the decisions that Chancellor Scholz outlined on February 27th, three days after the beginning of the war, are in the process of being implemented.

And I think no ministry – I have some reservations myself on what our defense ministry is doing, where I think things are slowest. But that also has a great deal to do with the structure of our defense industry. But I think no ministry is racing to comply with those – the list of demands laid out by the chancellor on that day as the economics and climate ministry headed by Robert Habeck. I think that what we're doing there is real and, in terms of what I have seen, is stupendous. I've never seen anything like it in 25 years of watching German foreign and security policy.

But what can you do? I mean, it seems to me that we are really, all three of us, agreeing that the goal has to be a complete uncoupling, but that the conundrum is how to achieve this in a way that doesn't create a higher price to us than to Putin, and in way that doesn't create a higher price to Germany's smaller and weaker neighbors than to Germany itself. And I think you will find – I think I find, when I go back to Germany, that there is a great willingness actually to pay a price, because we understand that – A, we're outraged by what is happening in Ukraine.

But also, we understand that this is really about Putin rolling back the entire post-World War II security order. Rolling back democratic transformation in Eastern Europe. Neutralizing Western Europe, including my country, and pushing America out of Europe. That will not stand, and we will not be a part of that. I can promise you that, I think. But the – I mean, you were – I haven't actually heard about the Ukrainian electricity reimporting. Let's talk about that. I think that's an interesting idea. I've heard a number of interesting ideas. I think all of that's worth pursuing. But this is pretty technical stuff, I'm afraid, and I am not – as I said, my expertise is not in the technical realm.

But I think I can assure you that we know we need to do this. And I'll tell you why, because Putin is not stopping. Because Putin's goals are so much bigger than just destroying Ukraine. And because we know that this is about all of us.

WILSON: Thank you very much for your insight. I yield back.

CARDIN: Senator Blumenthal.

BLUMENTHAL: Thanks, Mr. Chairman. And thank you for holding this hearing. Thanks to our witnesses.

Thank you, Madam Ambassador, for your continued courageous leadership and for your country's fierce fight for democracy. All of us have a stake in it as a matter of our own national security. I would like to ask the panel, and Madam Ambassador, if you have insights on this question. Russia has aiders and abettors in avoiding the impact of some of the existing sanctions. And I'd like to name some names and perhaps alert colleagues as to who they are – whether it's individuals or countries. If you could suggest why our sanctions perhaps have been less effective than they might be, because it will impact our adopting additional sanctions. And I'm strongly in favor of additional sanctions, as you know. But perhaps you could give us a little insight on that point.

Maybe begin with you, Madam Ambassador.

MARKAROVA: Thank you. With pleasure. It's a very important question, and why situation is really drastic in Ukraine. And the fact that we're able not only to fight, but also to sustain the energy system, financial system, everything else, is a constant, daily struggle of so many people, and constant, daily help from our friends and allies in Europe, but from the U.S., especially on the energy and other issues. And in some areas, it's also help of that because it's a miracle that we're able, while the whole infrastructure has been, you know, bombed complete or destroyed, we're able to restore it, and get back, and supply people.

But on the sanctions, I think it's very important – and we saw already, we had some lessons learned in how the sanctions are implemented. And we saw some countries that are helping to evade the sanctions or are not as prudent in their – in their dealings with Russia. So that is why, you know, two points that I want to raise which I think would enable us not only to have new sanctions, but also to make the existing more efficient.

First, designating Russia as the state sponsor in terrorism. It's a decision that will not automatically make Russia a pariah, but it will very much amplify all other sanctions that we have on board. And it will make it very difficult and risky for other countries to help Russia, because that will make them potential targets for the secondary sanctions. So while I understand that secondary sanctions – and we are discussing with Congress, as you know. And it's a very powerful tool. But until we can get all the transatlantic unity together on all the secondary sanctions, we cannot move ahead with full secondary sanctions. But this designation will actually pave a way to getting everyone on board and, you know, preventing those that are trying to play and benefit from this situation.

And the second is sanctioning of all Russian banks and financial institutions. Because, again, the way we look sometimes at Russia is that we're thinking that it's exactly the country like Ukraine or the United States, just with, you know, a bad management or a bad leadership and high corruption. But in effect, it's a full-state capture. So there is no such thing as private Russian banks. So when we sanctioned – when more than 11 banks got into the full blocking sanctions list, and when some of them – seven, hopefully now it will be more de-SWIFT-ed – it took them just a day to switch to other banks. And there are 330 banks altogether.

So the more Russian banks, preferably all but at least half of them, that can be included in the full blocking sanctions list will significantly impair the Russian ability to wage war and service the economy, but also will limit the – you know, the way, how they deal with other countries. And what we noticed, that, for example, even the Chinese banks, for example, and others are not working with the banks which were on the full blocking sanctions list, because every country is very responsibly – and every bank, you know, is not trying to get sanctions itself. So it's a very powerful tool. So these two areas, sanctions on all financial banks and designating Russia as a state terrorist, I think would be a very powerful addition that would enhance the sanctions. Thank you.

BLUMENTHAL: Thank you for that answer. And I'd be interested in others who might have similar comments. But let me just say, I am the principal Democratic leader on a bill, it's bipartisan, with Senator Graham, to designate Russia as a state-sponsor of terrorism. And I think your comments give more evidence of the need to do so. And I'm very, very hopeful that the Senate will move forward on it. And I've also called for sanctions on all of the Russian banks, not just on some of them, because, as you point out so well, in effect they're interchangeable because it's not like in this country, where they compete with each other. They are, in effect, all owned, ultimately, by the Russian state. So thank you for those very important comments.

I know I'm over my time, Mr. Chairman. So if you would like I'll take other comments in writing, or give them an opportunity to –

CARDIN: If you'd like to respond briefly. We're trying to stay on schedule. Yes, sir.

VITRENKO: It's difficult to escape this topic of secondary sanctions on countries that help Russia to evade, again, the primary sanctions. But I would suggest considering a mechanism of a special duty on imports from countries that help Russia evade sanctions. If such a duty is imposed by G-7 countries, especially by the U.S. and by the European Union, it would be a really good detriment for countries like, for example, India or others, that may consider, for example, a free ride on discounted Russian oil. So that's – and there's nothing risk free in this world. But at least that's something that is worth considering, I would say.

CARDIN: And I would just comment, I agree with you on secondary sanctions. They're so difficult to get the European unity with the United States on those issues. But it's one that we've been wrestling with well before the Ukraine invasions, with certain Russian sanctions. But your point is very well taken on that.

Representative Gallego.

GALLEGO: Thank you, Mr. Chairman. Thank you, all. Thank you, Mr. Chairman.

Mr. Vitrenko, thank you for your testimony and thank you for taking time to join us today. Like my colleagues here, I'm disgusted by Russia's actions and committed to helping Ukraine win this endless war of aggression by President Putin and his cronies. As Chairman of the House Armed Services Committee and Intelligence, Special Operations Subcommittee, I'm especially focused on Russia's reliance on gray zone techniques to exert influence – whether that's launching cyber campaigns, spreading disinformation, or using energy as a weapon. Can you describe how Naftogaz Ukraine has adapted over the months since the invasion? Also, are there any lessons you have learned that are helping Ukraine be more effective at operating in the gray zone from an energy perspective?

VITRENKO: Thank you for the question. Again, although we have been warned about the risk of the war by the U.S. intelligence community, by the U.S. government, but of course it came for us as a shock, again, to experience this full-scale invasion at the end of February. At the same time, it helped us a lot that we were – with the help of the U.S. government and in general investing our own resources, to prepare for this hybrid warfare by Russian Federation. Including, for example, to enhance our level of cybersecurity.

But during the first days of the war, we still need, for example, to relocate our offices from Kyiv during this battle for Kyiv. We had to relocate our servers and move them into a cloud outside Ukraine. And over here, we got a lot of help from the U.S. IT companies. For example, if I can call names, but, like, from Microsoft, for example, from Amazon, from Elon Musk providing Star Links, for example, to Ukraine, that helped us a lot, for example, when we were relocating offices and we needed to have a reliable IT connection within 20 minutes. Again, Star Link was the only option for us.

So the lesson that we learned is that because, again, we have to live with this risk of an invasion – full-scale invasion from the Russian Federation, we need to be much more agile and flexible in terms of how we manage our IT infrastructure – our critical infrastructure. And we also learned that, again, a friend in need is a friend indeed. So we can rely only on the, again, like, best international companies, the U.S. IT companies. We cannot rely on any providers of services from the Russian Federation or from any other rogue regimes, authoritarian regimes. Because I cannot disclose everything, but we had some other problems with some other suppliers from such countries.

The same, for example, with Russian propaganda. So the lesson we learned – and thanks to our, for example, special services, that many of the so-called experts that appeared on Ukrainian TV criticizing the government, criticizing Ukraine, criticizing the West during the first days of war, it was clear that they were Russian agents. Again, our special services, with the help of the U.S. intelligence, could trace a direct connection to the Russian special service, to the KGB. So altogether I believe allowed us to have these lessons how to be more resilient against the malign influence of Russia.

GALLEGO: Thank you. And this question is for Dr. Stelzenmüller. I want to ask about Germany's role in this debate going forward. As you well know, Berlin was long reluctant to halt Nord Stream 2 pipeline, not only despite Russia's increasing aggressive behavior, but also despite warnings from allies and partners including members of Congress, like myself, about the danger of dependency on Russian gas. Now that Germany's reversed its course on the pipeline, do you think German politicians truly recognize that it's not possible to separate economic issues from security issues? And do you think this debate in Europe on Russia has repercussions for Germany's relationship with China?

STELZENMÜLLER: Thank you – sorry. Thank you, Representative. That's a very complex question. (Off mic) – of our dependency issues. Again, this is a debate I've been watching very closely for years, and it seems to me that I am seeing a genuine sea change in Germany. And, frankly, it's not because we've become suddenly enlightened, you know, or because there was a generational shift, but because of Russia and China's behavior, very simply. I explain this in my testimony, but really the Russian-German relationship had been going downhill for a while, really since 2017 and Putin's speech in Munich – (off mic) – because they are – they are, by their very nature – (off mic) – and it took a war – (off mic) – to make us realize that – (off mic) – viewed shared I think by almost anybody, except perhaps – (off mic). People know who they are.

So the larger challenge for all of us, I think, is when we look beyond this war, Putin's war against Ukraine, and really against the West, is: How do we deal with the China challenge? But it seems to me that it comes back to, as – (off mic) – in this conflict just how much we need each other. I mean, it's easy to say that we would be toast in Europe without America's support, without American leadership in this crisis. But I would also say to you, with great respect, that this is the first crisis – (off mic) – crisis since 1945 where the Europeans, because of their economic – (off mic) – and their regulatory – (off mic) – have played a significant role in backstopping American – (off mic) – in a sanctions context. And so I think what this war has shown us is just to what degree we are interdependent with each other as allies, how important that is, and that we're going to need each other in a coming contest with China.

GALLEGO: Thank you, Mr. Chairman. I yield back.

CARDIN: Representative Veasey.

VEASEY: Mr. Chairman, thank you very much. I wanted to ask the ambassador a question – Ukrainian ambassador – about the – a question about pipeline. And what are your thoughts on American investment and innovation in the energy sector to help Ukraine get back on its feet after the war? Are people looking that far ahead about energy and how it can save the Ukrainian economy and help it get back on its feet? It's going to, obviously, be a long push and a long haul, once there's some sort of conclusion to this. And just didn't know if there any thoughts on that.

MARKAROVA: Thank you very much. Yes, we – even though, of course, the priority now is to win this war, and to fight, and, you know, you hear from me always weapons, sanctions, you know, support for us. But we already are thinking, and President Zelensky already created a group inside the country that is thinking about the post-war reconstruction and how we can do it. And we definitely can and should do it together with the United States, especially in the energy sector.

This is where Ukraine presents a number of opportunities. A, we have to essentially reform and rebuild so many of our sectors. And as Mr. Vitrenko just said, you know, we have great prospects in our electricity market where we can increase the generation. We have great prospects in all kind of energy-efficient industries. Ukraine has one of the largest deposits of lithium and other rare earth materials. So not only we can become a very reliable democratic country supplying the U.S. and be part of the supply chain, but we can also produce a lot.

So we would be looking and seeking increased number of U.S. investments in pretty much all of the sectors – from LNG, from gas exploration, from transit, hydrogen. I mean, you name it, and Mr. Vitrenko can maybe answer more on specific projects, which already Naftogaz is discussing during this trip here in the U.S. with the potential colleagues. But, you know, we essentially will have to rebuild the country from scratch in so many areas. And energy will be one of the key aspects of that. And we can build it not in a way how to restore the way it was before but build something that is going to be as inspirational as our fight for freedom now.

VEASEY: Thank you very much. I wanted to ask Ms. Stelzenmüller a question on energy in Germany, in particular. I visited Germany back in 2013 with a Republican member of Congress, now former member, Charlie Dent out of Pennsylvania. And we talked with members of the Bundestag and business leaders about energy in Germany. And at that time, Germany had a very ambitious plan for renewable energy consumption. Has what's happening right now in the Ukraine sort of made people think about energy security?

And not only energy security, but how all of these platforms work together in the future? Whether it's wind, solar, natural gas, oil? One of the things that I thought that really surprised me was the fact that in France recently, when I was on a CODEL there, that one of the French people told us that when they got ready to get rid of one of their nuclear plants, that they were concerned that the Germans were going to actually have to start burning more coal because they wouldn't have the capacity to provide enough electricity otherwise for their residents there.

So has this sort of refocused everyone into thinking about energy security, what's going to be available in the future? And not so much a binary choice between renewable energies versus fossil fuels?

STELZENMÜLLER: Thank you, Congressman. And thank you for visiting my country. And what can I say? I mean, German energy policy is a bit of a mess, and was before Putin ever – Putin's troops set foot into Ukraine, right? We had just not managed to get the trilemma right – having sustainability, social cost, and security costs, you know, in balance, as we have now found out to our dismay. I think that this traffic light government, with a green economics and climate minister, is correct in understanding that we cannot privilege the security at the cost of forgetting about the energy transition to renewables, right? Because fossil fuel imports made us dependent, as we have now learned.

So we're going to have to do all these things together. And my sense of what I see of what Minister Habeck is doing is exactly that. But it is a huge challenge. And as he has said, this will require an all-society effort. But I think the other things that we've learned in this crisis is that we cannot think in Europe, and particularly not as a major power in Europe with nine neighbors that we share borders with, only once of whom is as large as we are – France. We cannot think about this as a merely national endeavor. This has to be a Europe-wide endeavor. And there, I think, you know, it is very helpful for us to think of this, I think, as not just a Europe-wide endeavor, but also as a transatlantic endeavor, where we can exchange best practices, help each other, and I think generally see that we forge a policy that does not allow authoritarian adversaries to divide us.

VEASEY: Yeah. And, Mr. Chairman, will you indulge me for one more question? Do you think that Germany can be a model for the rest of the world? You talked about Europe, but do you think that they could maybe be a model? I mean, because – the reason why I asked that is because, you know, your plans for, I believe it was 2030 or 2040, you know, were definitely ones that garnered national and global-wide attention how we, you know, shift around our energy assets and energy resources, and how a country can survive and thrive during that transition. So do you think that, because of everything that's happening now, that perhaps Germany can emerge as sort of a role model for the rest of the world on how to balance all of it?

STELZENMÜLLER: Sorry, forgive me, Congressman, for laughing just now, because, I mean, I love my country but, you know, it would take me some effort to say with a straight face that, you know, it's a role model on everything that it's done, particularly in this field. But I will say, seriously now, that while we got ourselves in trouble and tied ourselves in knots in our energy transition, as you implied, had to go into coal again, which we didn't want to do because we shut down our nuclear plants. And, you know, all of this is sort of six ways to Sunday.

I do think that we have done a huge amount of investment in technologies that we, I think, can share – in renewables technologies. And that I think we – and that the way that we are trying to conceptualize this as European efforts might also be something that we can – we can discuss with our American friends. I do know that there is a great deal of exchange on both the industrial and on the government level between the American – between American states and not just European member states but subnational state units on these issues. I'm sure we should continue that.

VEASEY: Thank you very much, Mr. Chairman. Thank you for the extra time.

CARDIN: Surely. Let me thank all of our witnesses once again. As I said at the beginning, this has been part of a series of hearings that we've held in the Helsinki Commission. The main purpose for bringing this subject to a hearing is that we want the sanctions to really work against Russia. The number-one priority here is to cut off the money for the war machine in Russia. And therefore, the sanctions have to be effective. And because of the dependency on Russian energy, we have not been able to make them as effective as they need to be. And I think today's hearing has helped us to understand that.

Obviously, that's part of an overall strategy that includes providing the Ukrainians with the military and defense equipment it needs to defend itself. It also involves the humanitarian assistance to deal with the displaced individuals that are both in Ukraine, as well as the neighboring countries. And also it involves holding those responsible for these atrocities wholly accountable. And then lastly, the issue that has been most recent questioning, about moving forward. What type of country do we need to invest in Ukraine moving forward, and in Europe moving forward, recognizing the dependency upon autocratic states jeopardizes the security and economics of our democratic states?

So as we look at energy, we want to make sure that our democratic allies have the security, the economics, and the environmentally friendly sources of energy to meet their domestic needs and our responsibilities in the global community. And that's going to require us to have a very enlightened discussion, and recognize where resources can be made available, so we're not in the future as vulnerable as we have been in regards to Mr. Putin's invasion of Ukraine.

I want to, again, thank all of our witnesses. We had full participation by the Commission. There's a lot of interest in this subject. I'm sure we'll be having additional hearings. Again, once again, thank you for your participation. And with that, the Commission will stand adjourned.

[Whereupon, at 4:07 p.m., the hearing ended.]