



EUROPE

# Flow of Russian gas and cash entangled German state in dependent web

Opaque Russian-funded climate foundation is at the center of questions about Moscow's influence on German energy policies

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SCHWERIN, Germany — When Matthias Warnig, chief executive of the company building the Nord Stream 2 natural gas pipeline between Russia and Germany, arrived for a meeting at the historic lakeside state chancellery building here, he carried a bright bouquet of flowers.

It was August 2020 and Trump administration sanctions on the nearly constructed pipeline under the Baltic Sea had caused final work on the project to grind to a halt. Warnig, a former officer in the Stasi, East Germany's secret police, was looking for ways around the U.S. action.

His quest — and his gift of sunflowers and snapdragons — found a receptive audience.

“It is outrageous,” said Manuela Schwesig, head of the German state of Mecklenburg-Western Pomerania, of the U.S. move to target any firm helping to complete the pipeline. Two gas routes — Nord Stream 1 and 2 — came ashore in her northern German state.

“But,” Schwesig continued after her meeting with Warnig, “I’m confident we’ll find a solution.”

The eventual solution was the creation by the state government of an opaque, largely Russian-funded climate foundation designed to complete the construction while shielding the firms it contracted with from U.S. sanctions. The expectation was that a German state entity would not be put under U.S. sanctions, and that the foundation would quietly act as the pipeline contractor while maintaining a public facade focused on environmental issues.

Following Russian President Vladimir Putin's [invasion of Ukraine](#), the Foundation for Climate and Environmental Protection has become an emblem of how Germany's craving for natural gas led to a dependent, murky relationship with Moscow. The foundation was just one cog in a vast Russian influence network in Germany, one that expanded in tandem with the country's growing dependency on gas.

Just before the invasion, Germany was reliant on Moscow for more than half of its natural gas and coal and a third of its oil.

A subsidiary of Russian state energy giant Gazprom owned Germany's largest gas storage facility — the size of 910 football

Russia also held a majority stake in the country's most important national gas transporter and owned the refinery that fed crucial fuel supplies to Berlin.

Some of Germany's most senior former politicians, as well as think tanks, foundations, sports clubs and cultural organizations across the country, were awash in Russian cash. Gazprom and its subsidiaries sponsored soccer and volleyball teams, a sailing race, a classical music festival, art galleries and even "Blue Fire," a natural-gas-themed roller coaster at Germany's largest theme park.

"You find Russian money even when you're not looking," said Gerhard Bley, a researcher with Transparency International. "With today's hindsight, it's hard to see how we got here and how warnings were ignored for so long."

Hundreds of pages of documents made public in freedom of information requests and interviews with federal and state officials reveal how closely Nord Stream 2 executives and local government officials here worked together to protect the new pipeline, amid questions from lawmakers over whether lobbying crossed the line into political corruption.

Officials in Mecklenburg-Western Pomerania first said the supposedly independent climate entity was financed with 200,000 euros in state funds and another 20 million euros from Gazprom. Its main aim, Schwesig said, would be to support environmentalism, though officials said at the time that the foundation would have a role in finishing the pipeline.

The foundation, under court order, has since disclosed that its funding from Gazprom amounted to nearly 200 million euros — almost its entire budget, which was mostly used to finish construction.

Schwesig, who declined to be interviewed, has said the foundation was a mistake from "today's point of view." Warnig did not respond to a request for comment.

The relationship among Mecklenburg-Western Pomerania, Nord Stream and Gazprom is now the subject of an investigation in the northern state's parliament. Accusations of a lack of transparency in the inquiry have raised questions about whether Germany is prepared to address just how deeply Russian influence ran.

"There is a lot to dig out," said Hannes Damm, a Greens politician on the committee of inquiry.

### **'A political thriller'**

Germany's first purchases of Russian gas go back half a century, but it was Chancellor Gerhard Schröder who was at the heart of the deepening entanglement. Schröder used his last days in office in 2005 to sign a deal to build Nord Stream 1 before almost immediately joining the pipeline company's board. His closeness to the Kremlin, including a celebration of his 70th birthday with Putin in St. Petersburg weeks after Russia annexed Crimea in 2014, have long drawn criticism in Berlin.

But while some had expected his successor Angela Merkel to try to reduce Germany's energy dependence on Russia, her 16 years in power saw ties deepen, with Russian gas imports continuing to climb as her government pledged to exit nuclear and coal.

A deal to build Nord Stream 2 was sealed under Merkel in 2015, despite sanctions against Russia and protestations from the United States and countries in Eastern Europe. The two Baltic pipelines would have had the capacity to supply 100 percent of Germany's gas at current levels, though Nord Stream 2 has never been switched on because of the invasion.

From the outset, there were questions of why Nord Stream 2 was being built. The German Institute for Economic Research argued that another undersea pipeline to double capacity was “not needed” given declining gas consumption and Germany’s climate goals.

Washington and Kyiv pointed out that bypassing the overland gas route through Ukraine would deprive Ukraine of billions of dollars in transit fees and remove a deterrent for a wider Russian attack.

Members of the parliamentary inquiry committee say they expect to call both former chancellors to testify in Schwerin. “A political thriller awaits in Mecklenburg-Western Pomerania,” read one local newspaper headline in June as it listed those who were likely to be called on for testimony.

The Nord Stream 2 deal should also be the subject of an inquiry at the federal level, said Roderich Kiesewetter, a parliamentarian with Merkel’s Christian Democrats. There is a reluctance, however, among Merkel’s political allies to tarnish the longtime chancellor’s legacy. “There are enough forces in my party to safeguard her; [people] are not willing to have a closer look at the past,” Kiesewetter said. Merkel recently said she had no regrets regarding her energy policy.

The primacy of Russian fossil fuels was accompanied by a slow German turn to renewables, with caps on subsidies, prohibitive red tape and a lack of investment in the country’s power grid, according to lawmakers and activists.

“We lost years,” said Kiesewetter, who in part blames Russian lobbying.

He recalled that when Warnig, now 67, came to speak to federal parliamentarians in 2017, he told Nord Stream 2 skeptics on the foreign affairs committee that if they had questions for Putin about the pipeline, he would get them personally answered. In the eight months following their August 2020 meeting, Schwesig met or spoke with Warnig a further five times, documents show.

Warnig, now under U.S. sanctions, began working for the East German secret police in 1974, spying on youth groups, according to his official Stasi file. In 1988, he was promoted to the rank of captain. In the same ceremony, a young Vladimir Putin, then working in East Germany for the KGB, received a bronze medal of merit.

Warnig claims not to have known Putin at the time, and said in a 2018 interview with Austria’s Die Presse magazine that his friendship with the Russian leader began during a “very special” trip to St. Petersburg in 1991, when Warnig headed Germany’s Dresdner Bank.

“We both came from the secret service and had new jobs,” recounted Warnig, who was also a regular visitor to the Economy and Energy Ministry in Berlin. “We talked about all of that. ... If I want something and I need to see him, we’ll work it out.”

Since February’s invasion, some of the scale of Moscow’s reach into German politics has come to light. After taking over the Energy Ministry last year, Germany’s new Green leadership was so alarmed by the pro-Russian stance in some of the internal documents prepared inside the ministry that two senior officials were investigated for espionage.

The investigation has concluded and no evidence of spying was found, according to a security official who spoke on the condition of anonymity because of the sensitivity of the topic.

Suspicions were raised because documents “oozed understanding of the Russian point of view,” according to Die Zeit newspaper, which first reported on the investigation. Russia was described as “fundamentally reliable” in one October 2021

The incidents have raised questions over whether German intelligence services were doing their job, or whether warnings were ignored. The country's foreign intelligence service "didn't see it coming" and had been more focused on issues such as Islamic terrorism, said one German official, who spoke on the condition of anonymity because of the sensitivity of the subject.

"When a country does business with a counterpart that doesn't have the same values, it's like gambling," the official said. "The German bet has ended badly."

In recent weeks, Chancellor Olaf Scholz's decision to push through a deal to sell a stake in a Hamburg port ferry terminal to a Chinese firm despite vehement opposition from his ministries has triggered concerns that lessons still haven't been learned, officials said.

### **Russian outpost**

There is perhaps no starker example of the nexus between German politics and Russian gas than in Mecklenburg-Western Pomerania, which a visiting Russian official in 2018 described as an "outpost for us" in Europe.

As Europe and the United States imposed sanctions on Russia's energy sector in 2014, the state government held its first Gazprom-sponsored "Russia Day." In a seaside hotel — nicknamed the "Stasi Hotel" for its previous associations with East German intelligence — guest of honor Schröder cautioned against spiraling sanctions and thanked Merkel for keeping lines of communication with Moscow open.

Skepticism of the West and pro-Russian leanings are not unusual in these parts of Germany's former east, where some still feel that they were the losers in the country's reunification.

It was against that backdrop that U.S. sanctions on Nord Stream 2 were met with outrage.

"Colonial threats at their finest," Steffen Ebert, the communications manager for Nord Stream 2, wrote in an email to Schwesig on Dec. 19, 2019, attaching a letter from Republican Sens. Ted Cruz (Tex.) and Ron Johnson (Wis.) that threatened "crushing and potentially fatal" sanctions on a Swiss firm working on the pipeline. Later that month, President Donald Trump signed a law imposing sanctions on any company that helped finish the pipeline.

It took another year for the foundation to be created, despite some indications of disapproval from Berlin. "I was and remain convinced that state authorities should not have intervened actively in favor of this project," said Peter Altmaier, who was energy minister at the time.

In a statement, Schwesig's office said that the state government had been transparent and that parliamentarians voted to establish the foundation with full knowledge of its potential work. But while her public statements at the time noted that the foundation would help with the completion of the pipeline if necessary, she said it would neither build nor operate it.

In May 2021, as the foundation was attempting to circumvent U.S. measures, the Biden administration waived sanctions on the pipeline in a bid to mend ties with Germany.

The state inquiry hopes to establish just who came up with the idea for the sanctions-busting foundation, whether politicians misled the public and if laws were broken, said Sebastian Ehlers, head of the committee of inquiry. "Everyone wants to

Committee members say the process could stretch on for years, and complain about delays in the release of documents and gaps in record keeping.

Documents already made public in freedom of information requests show the close relationship between Nord Stream executives and state lawmakers, and how local officials sometimes acted on the company's behalf.

In a November 2020 email, Christian Pegel, then the energy minister for Mecklenburg-Western Pomerania, wrote to the head of the state chancellery attaching the statutes for what was supposed to be an independent foundation. He flagged that Nord Stream executives had issues with the draft.

"They had three changes on their minds which I have included and highlighted in yellow," he wrote. One stipulated that Nord Stream 2 should be able to hold two positions on the board of trustees.

Later that month, Nord Stream requested that one of its representatives "passively" listen in to a briefing on the foundation between the chancellery and journalists.

"The foundation was a farce," said Damm. "They wanted to paint a picture that it was good for the people. It was greenwashing. It was dishonest."

Under court order, the foundation, headed by Schwesig's predecessor in government, Erwin SELLERING, has admitted to spending 165 million euros on contracts related to the pipeline. It even purchased a dredging ship. SELLERING is fighting not to release information on the foundation's business partners to the press, arguing in a case before Germany's high court that it's not subject to freedom of information laws. He is also battling a court order holding the foundation liable for millions in unpaid taxes.

But some details have emerged. In the Baltic port city of Rostock, local councilors have complained they were deceived in early 2021 when voting whether to lease part of their port for ships to maintain offshore wind farms "and other facilities."

The Greens voted for it unanimously — only later to discover that the ships were working to finish the gas pipeline for a company reported to have been subcontracted by the foundation.

"I felt conned, appalled and frustrated," said Greens faction leader Andrea Krönert, who lodged a formal complaint to the city administration. The administration said it was aware the contract was related to Nord Stream 2 and regrets the "misunderstanding in communication."

Krönert said such anomalies at a local level make her wonder what has happened elsewhere. "The bottom line is this is a democracy," she said.

*Mekhennet reported from Washington.*