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The Honourable
Mr. Steven T. Mnuchin
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ATTACHMENT 1

SUBJECT **Our call of 05 August 2020**

DOCUMENT NO

(Please quote file no. and document no. in your reply.)

Dear Mr. Secretary,
dear Steven,

Thank you for our fruitful conversation.

Please find enclosed the non-paper I mentioned during our call. It includes the three pillars we talked about with respect to LNG and Nord Stream 2.

I look forward to following up hereon together with our foreign affairs and energy colleagues in order to discuss possible ways forward.

Yours sincerely,

**Non Paper Germany
Nord Stream 2 / U.S. LNG**

Germany and its European partners have invested much effort to speed up the construction of LNG import infrastructure and to safeguard the long-term gas transit through Ukraine, all measures aiming at strengthening European energy security. Germany has always been strongly committed to a well-functioning and diversified European energy and gas market.

The German government is very concerned about the latest sanctions measures announced by the State Department and the legislative developments in Congress with respect to Nord Stream 2. These will endanger the completion of the construction and operation of Nord Stream 2 and deeply infringe European energy sovereignty. Many companies from Germany, Europe and beyond face grave insecurity with regard to their activities on Nord Stream 2 and are threatened with ruin in some cases. The German government as well as our European partners firmly reject extraterritorial U.S. sanctions as well as direct pressure from the U.S. administration.

As a way forward, Germany suggests closer coordination and continued engagement with a coordinated approach:

Increasing German Government support for LNG import infrastructure:

- Germany and Europe have considerably increased their imports of U.S. LNG in the recent past. The German natural gas grid is connected to existing EU LNG terminals, i.e. Germany's natural gas market is already open to U.S. LNG imports. Investments in LNG terminals in Germany are facilitated by the German government via the "Ordinance to improve the regulatory framework for the construction of LNG infrastructure in Germany".
- In addition to these measures, the German government is willing to massively increase its public support for the construction of LNG terminals along the German coastline in order to secure the construction of LNG terminals in Brunsbüttel and Wilhelmshaven by providing up to 1 bn. €.

Securing a long term gas transit through Ukraine:

- The U.S. and Germany share the goal of securing long-term gas transit through Ukraine. Germany and the EU have a strong interest in stable energy relations in Europe. We have therefore put tremendous diplomatic effort into the conclusion of a new contract for the further transit of Russian gas through Ukraine. This has indeed ensured an uninterrupted continuation of the gas transit through Ukraine.

Supporting European energy security and Polish efforts to diversify:

- Germany has always understood Poland in its striving for full Polish energy sovereignty. Germany supported Poland in its effort to have the Baltic Pipe classified as a Project of Common Interest by the EU. The EU has promised generous funding for this pipeline, and has already given unstinting financial support for the existing LNG import terminal in Świnoujście as well as its expansion, financed through EU Member States' contributions, including Germany's.
- In addition, Germany is advocating the continued capacity booking and transport by Gazprom of the Jamal-Pipeline after the long term contract has recently expired. The Polish government has expressed great satisfaction with the new capacity booking system which is very favorable for Poland.

Nord Stream 2:

- The German government is very concerned about the latest uncoordinated sanctions measures announced by the State Department with respect to Nord Stream 2. The new guidance for Section 232 of CAATSA, PEESA and the latest initiatives in Congress to make PEESA even stricter (PEESCA) intentionally endanger the completion of the construction and the operation of Nord Stream 2.
- The former guidance for Section 232 of CAATSA was one of the concrete results of an intensive process of consultation and coordination between the U.S. Administration and the German government in late 2017. It is therefore not acceptable to repeal this mutual understanding unilaterally.

Way forward:

In conclusion, Germany would like to suggest the following elements as a basis for closer coordination:

- (1) The German government is willing to considerably increase its financial support for LNG infrastructure and import capacities by up to 1 bn. € aiming to secure the completion of LNG terminals in Wilhelmshaven and Brunsbüttel.
- (2) Germany continues its efforts to support European energy diversification and strengthen energy security with respect to the Ukrainian gas transit agreement and Polish efforts in regard to Baltic Pipe and Jamal gas transit.
- (3) Germany is going to further support, through the EU and private funding, necessary investments in energy infrastructure, in line with EU objectives.
- (4) In return, the U.S. will allow for the unhindered construction and operation of Nord Stream 2. The already existing legal authorizations for sanctions will not be used. Future legislation, which could be the basis for sanctioning Nord Stream 2, will either not be used or, in the case of compulsory sanctions provisions, blocked by waivers or other adequate and effective tools.