

Gazprom, Nord Stream 2 and the political implications of soccer sponsorship

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Main points:

- Gazprom owns the world's largest natural gas reserves and accounts for 68% of domestic production and 12% of global production.
- Transporting a significant amount of natural gas through Nord Stream 2 will enable the Russians to reach Western European countries directly, bypassing Ukraine, Belarus, Lithuania, Latvia, Estonia and Poland.
- The capacity of existing Russian gas pipelines fully meets the needs of the European market. For example in 2017, Russia delivered 155 billion cubic meters (bcm) of gas to the European Union, which resulted in 62% of the existing capacity being used.
- In 2012, Gazprom became an official partner of the UEFA Champions League, and it remains the main sponsor of this competition to this day.

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Introduction

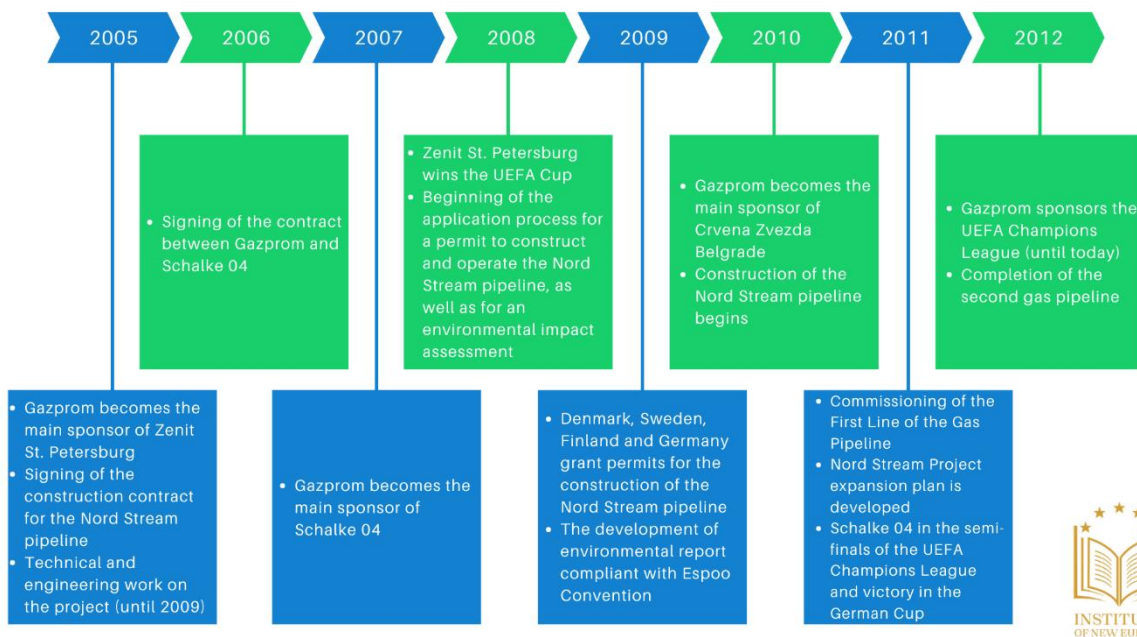
Gazprom is a global leader in the provision of heat and electricity on the market, officially established in 1993, although its origin can be traced back to the 1950s.¹ The global energy company handles research for gas fields, production, transport, storage, processing and sales of resources such as natural gas (the world's largest output), gas condensate and oil. Gazprom also sells gas as an automotive fuel. **It should be noted that the organization owns the world's largest natural gas reserves and accounts for 68% of domestic production and 12% of global production, and the company's share in Russian and global gas reserves is 71% and 16%, respectively.**² Gazprom Group was ranked fourth in the *S&P Global Platts Top 250 Global Energy Company* ranking in 2019 and 2020, which illustrates its appreciation in the international environment.

¹ N. M. Victor, *Gazprom: Gas giant under strain*, Freeman Spogli Institute for International Studies, January 2008, p. 46-47.

² Gazprom, About Gazprom, <https://www.gazprom-football.com/about-gazprom/>, accessed: 15.04.2021.

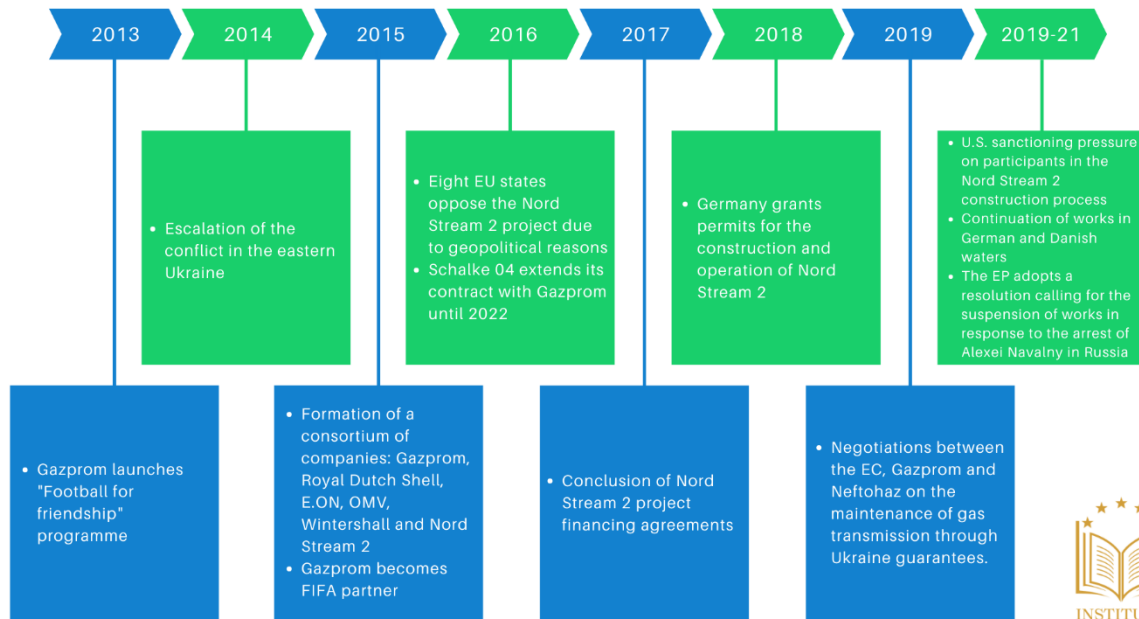
In 2010, Gazprom produced 510 billion cubic meters of natural gas, and five years later 420.³ In 2020, natural gas output was 452.7 billion cubic meters compared to 500.3 billion cubic meters noted in 2019, which was also the highest number since 2012.⁴ **The organization aims to produce between 625 and 690 bcm of gas annually by 2035, strengthening its position through the completion of Nord Stream 2 and its long-term cooperation with China and India.**

Timeline - selected key events for Gazprom



³ Gazprom, *The Power of Growth*, Factbook "Gazprom in Figures 2010–2014", p. 29.

⁴ Reuters, *Gazprom says gas exports outside ex-Soviet Union down 10% in 2020*, <https://www.reuters.com/article/uk-russia-gazprom-export-idUKKBN297098>, accessed: 15.04.2021.



In 2019, Gazprom delivered a total of 198.97 bcm of gas to European countries. Western European countries and Turkey accounted for about 77% of imports (the largest customers being Germany, Italy, Austria, Turkey and France respectively), and as follows, Central European countries accounted for 23% (the main customers being Hungary, Poland, Slovakia and the Czech Republic). At the same time, in 2020 the organization recorded large losses in comparison to 2019 on the Turkish, German and British markets, which is compensated to a small extent from the Austrian, Dutch, Lithuanian and Romanian markets.⁵

Currently, financial problems are piling up for the Russian company. The main reason is the Covid-19 pandemic, which had frozen European economies, and resulted in a significant reduction in gas prices in early 2020. Other problems are the sanctions imposed on Nord Stream 2, as well as failures before The Arbitral Tribunal in Stockholm (the Arbitral Tribunal in Stockholm ruled a lower gas price from Gazprom for PGNiG). Consequently, in order to remain ahead in the global resources sales race, Gazprom is using marketing, including the most popular sport in the world - soccer, above all.

⁵ Gazprom Export, Delivery statistics, www.gazpromexport.ru/en/statistics, accessed: 15.04.2021.

Nord Stream 2 as a politically significant project

The concept of running a gas pipeline from the Russian Griazovets through the bottom of the Baltic Sea to Greifswald, located in Germany, is an expensive, controversial project and poses a more political rather than economic significance, in spite of appearances. The unfinished project, which is an extension of the Vyborg to Greifswald gas pipeline that was built between 2005 and 2012, has been affecting political relations in Eastern Europe since 2015 when the first contracts for its implementation were signed. Nord Stream 2 is ultimately intended to be an alternative to the already existing gas pipeline, which leads to Western Europe through, among others, Ukraine.

The current transit states will lose their transportation importance to a large extent, as well as the earnings, international potential and energy security associated with it. It can be expected that once Nord Stream 2 is fully operational, interruptions in the "blue fuel" supply will become a regular means of pressure that the Russians have so far used only sporadically against those acting against them. However, there is a visible contradiction in the implementation of Nord Stream 2 project, since Western European governments recently have been calling for the support of democratization and independence in Ukraine, while consciously agreeing to exclude it as a transit state.⁶

Nord Stream 2 undermines the treaty idea of unity and equality of all EU members, which at a time of an EU crisis is particularly dangerous with regard to politics, as it constitutes another bone of contention between member states. Moreover, noteworthy is the fact that people with a dubious past, such as Matthias Warnig, who was a Stasi officer and already collaborated with Putin during the 1980s, and who is now the managing director of the entire Nord Stream AG consortium, are holding prominent positions within the project.⁷

The project is unambiguously opposed by the Polish Government as well as by other members of the Visegrad Group. According to estimates, the construction of the pipeline overland to the West, through Belarus and Poland, would be more financially and environmentally viable, but it would not strengthen the Russian position politically, which is the unspoken goal of the entire investment. Instead, Nord Stream 2 would increase

⁶ Ł. Wojcieszak, *Aspekty polityczne i logistyczne Nord Stream 2*, https://www.cire.pl/pliki/2/2018/nordstream_2_1.pdf, accessed: 10.04.2021.

⁷ P. Zaleski, *Nord Stream II – polityczny projekt uderzający w jedność energetyczna Europy*, <https://www.cire.pl/pliki/2/nordstreamiidefence.pdf>, accessed: 10.04.2021.

the political importance of the Scandinavian states cooperating with Russia in the Baltic region: Denmark, Sweden and Finland, since the line is planned to pass through their exclusive economic zones. At the same time, these countries' priorities are the implementation of pro-environmental policies and the Green Deal. According to the findings of the Espoo Report, Nord Stream 2 is a modern project that is safe for the flora and fauna of the Baltic Sea and it complies with all international standards.⁸

For more than a decade, the topic of Nord Stream 2 has been a regularly recurring theme in debates within EU institutions and has fuelled unhealthy relations between Central and Eastern European countries and Russia. Instead, it unifies cooperation between Berlin and Moscow. **With Nord Stream 2, Russia would strengthen its position as the main natural gas provider to Western Europe, and Germany being the dominant economy and political voice of the EU, would also rise in power as gas would be distributed to the rest of the member states from its port. At the same time, the Baltic States and Poland, which form the eastern wall of the EU and NATO, as well as Belarus and Ukraine, which remain in the Russian sphere of influence, would experience the negative effects from the investment above all.** It was not without reason that Radosław Sikorski, in one of his public statements, compared the entire gas pipeline project to the Molotov-Ribbentrop Pact.⁹ The key issue in the nearest future may turn out to be the attitude of Joe Biden's administration towards the project, which depending on its connotation, may influence the character of U.S.-EU, U.S.-Germany, and U.S.-France relations.

Energy crisis and gas dispute with Ukraine

As it was already highlighted, the Nord Stream 2 project has a primarily political meaning, not an economic one. Especially, that the capacity of existing Russian gas pipelines fully meets the needs of the European market. **For example in 2017, Russia delivered 155 bcm of gas to EU countries, which resulted in 62% of the existing capacity being used.**¹⁰ Even the increase

⁸ Raport Espoo, *Nord Stream 2. Podsumowanie nietechniczne*, <https://www.nord-stream2.com/media/documents/pdf/pl/2017/04/nsp2-espoo-report-nts-pol.pdf>, accessed: 10.04.2021.

⁹ Interpelacja nr 2760 do prezesa Rady Ministrów w sprawie wypowiedzi ministra obrony narodowej dotyczącej gazociągu bałtyckiego, <http://orka2.sejm.gov.pl/IZ5.nsf/main/6898E9A0>, accessed: 10.04.2021.

¹⁰ A. Gawlikowska-Fyk et al., *Nord Stream 2: Inconvenient Questions*, „PISM Policy Paper” 2018, nr 5 (165), Polski Instytut Spraw Międzynarodowych, https://www.pism.pl/files/?id_plik=24600, p. 2.

in European demand for Russian energy resources¹¹ in the future predicted by some experts does not justify the creation of additional transmission systems.

The weakening of Ukraine shall be regarded as one of the most important political goals of the construction of Nord Stream 2. After all, it is the most important transit country in the gas trade between Europe and Russia: in the aforementioned 2017, 93 bcm of Russian gas passed through the Ukrainian pipeline network.¹² For Moscow which remain in conflict with Kiev, this situation can be considered unfavorable for several reasons:

- Gas transit constitutes a significant source of revenue for Ukraine's budget (approximately 2-3% of GDP¹³);
- Despite the fact that Kyiv has not been buying gas directly from Gazprom since 2015, Russian gas transported across the country is entering the Ukrainian power grid through contracts with third countries;
- Russia's potential aggression against Ukraine may lead to Kyiv blocking the transit of gas to Europe, which for Moscow means non-compliance with the agreements in force, and as a consequence, significant financial losses and a loss of its authority and position;
- Ukraine's importance to Europe's energy security forces European Union countries to provide it with political protection.

Despite extensive lobbying and the supportive establishment of some European countries, the pace of work on the pipeline, as well as both in terms of insistence and implementation of its idea in the political dimension and in the physical laying of the pipes, can hardly be considered satisfactory. European concerns about energy security or ecological issues are not without significance here. An important factor is also the resistance of some European countries, who notice in the Nord Stream 2 project a manifestation of the Kremlin's aggressive foreign policy. In this context, the declared support for Kyiv seems symptomatic. Even

¹¹ С. Капитонов, *Между Украиной и Балтикой. Русский газ в Европе после новых санкций и соглашений*, Московский Центр Карнеги, 24 XII 2019, <https://carnegie.ru/commentary/80677>.

¹² G. Kuczyński, *Nord Stream 2 i Ukraina. Bitwa o tranzyt*, Warsaw Institute, 15 I 2019, https://warsawinstitute.org/wp-content/uploads/2019/01/Nord_Stream-2-i-Ukraina-Bitwa-o-Tranzyt-Warsaw-institute-Raport-Specjalny.pdf, p. 3.

¹³ А. Зануда, *Газові переговори Україна-Росія-ЄС: що стоїть на кону*, „BBC News Україна”, 18 IX 2019, <https://www.bbc.com/ukrainian/features-49661535>.

Germany, which among all European countries, will derive the greatest benefits from the project, has repeatedly called for maintaining gas transit through Ukraine.¹⁴ Significant resistance to the project and support for Kyiv is also indicated from the participation of representatives of the European Commission in the negotiations between Gazprom and the Ukrainian gas pipeline operator Naftohaz, in particular during discussions in December 2019 which resulted in the guarantee of maintaining the part of gas transit through Ukraine.¹⁵ In view of the above, **Moscow is forced to undertake a number of measures to warm up the image of Gazprom and the Nord Stream 2 project in European societies and, above all, to deprive it of its associations with the conflict in Ukraine.**

Gazprom's soccer sponsorship

Such an important and difficult challenge as the Nord Stream 2 project had to be supported by appropriate communication and marketing. As it turned out, the main image weapon was not the spectrum of political marketing, but sports marketing. Gazprom's engagement in sports, especially soccer, became the answer to this challenge. The presence of business in sport is a permanent element of the global sports-economic order. **However, if state-owned companies invest in sports, then it is possible to talk about a typical soft power action, which is based on the ability to create the preferences of others.**¹⁶ This means building a positive image in a desired environment through cultural, social or sporting rapprochement. And it is this last aspect that is nowadays one of the most effective tools for building a positive image among today's late capitalist societies. According to research, one in three football fans is keen to choose brands that support athletes.¹⁷ Thus, Western Europe and its society is heavily involved in the consumption of soccer and have become objects of interest for Russia and Gazprom.

The Kremlin defined the location for investment very well and chose a place for its first soccer sponsorship not by chance. **When the whole Nord Stream project was launched in 2005**

¹⁴ Patrz np.: B. Bodalska, *Niemcy zmieniają plany budowy Nord Stream 2?*, „EURACTIV.pl”, 11 IV 2018, <https://www.euractiv.pl/section/polityka-zagraniczna-ue/news/niemcy-zmienia-plany-budowy-nord-stream-2>.

¹⁵ S. Kardaś, W. Konończuk, *Tymczasowa stabilizacja: porozumienie gazowe Rosja–Ukraina*, „Komentarze OSW”, 31 XII 2019, Ośrodek Studiów Wschodnich im. Marka Karpia, <https://www.osw.waw.pl/pl/publikacje/komentarze-osw/2019-12-31/tymczasowa-stabilizacja-porozumienie-gazowe-rosja-ukraina>.

¹⁶ S. Nye, *Soft Power. Jak osiągnąć sukces w polityce światowej*, Warszawa 2007, p. 34.

¹⁷ Report of the research agency IQS and the S / F Group, Świat kibica, <https://grupaiqs.pl/pl/raporty/swiat-kibica>, accessed: 04/16/2021.

(today it is continued as Nord Stream 2), it was probably already aware of the usefulness of soccer as a social key to gain recognition in the eyes of the public. In October 2006, an agreement was signed with one of Germany's largest and most important football clubs, FC Schalke 04. The choice was not coincidental, as this is a middle-class mining club from the Ruhr region with high recognition in Europe - in 2007, it became the jewel in Gazprom's crown and its soccer sponsorship.¹⁸ Gazprom's support for this particular club was determined by its origins and location. It was recognized in Moscow that if Gazprom proved to be an effective main sponsor, that is, one whose sponsorship would contribute to the club's success, it would gain a substantial contribution to its own image, which the Kremlin could consume in political discourse. And such successes came in 2011 - the UEFA Champions League semifinal and victory of the German Cup. In 2016, the German club extended its sponsorship agreement with Gazprom until 2022. The further prospect of cooperation, however, is in question, due to the relegation of Schalke 04 to the 2nd Bundesliga for the first time in 31 years. The questions over whether Gazprom will still want to support the club financially, whether they will help it out of the sporting crisis or rather focus on other clubs remain open.

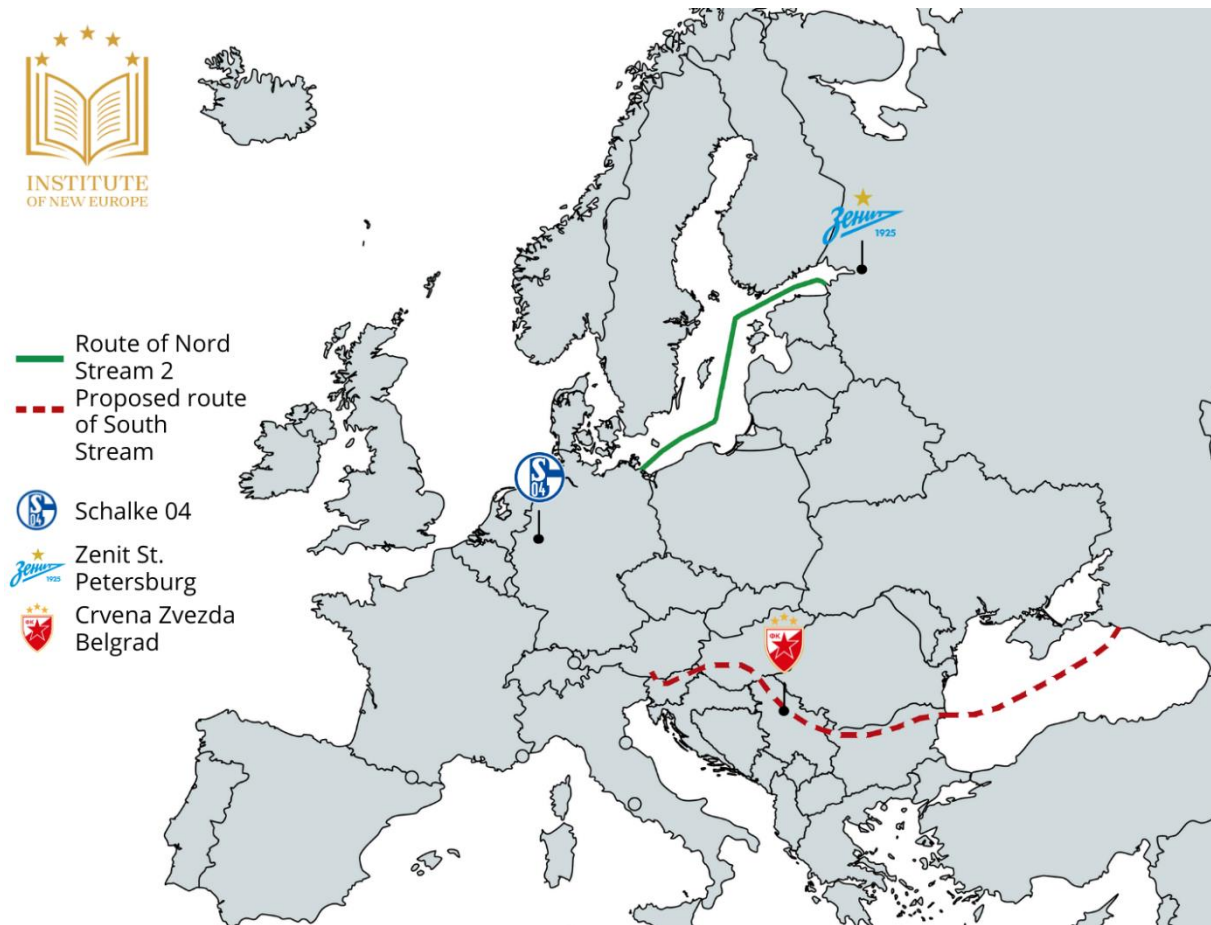
Also, one should not forget about the leading Russian football club - Zenit St. Petersburg, which, sponsored by Gazprom since 2005, 3 years later achieved its greatest success on the European arena - winning the UEFA Cup. This 2008 triumph was another component in building the foundation of Gazprom's image as an effective and good trustee in Western Europe.

In 2010, Gazprom continued its sponsorship project in soccer and extended its financial patronage to one of the largest Balkan clubs - Serbian Crevena Zvezda Belgrade. This was no coincidence either, as the South Stream gas pipeline was to pass through Serbia, but the project has been cancelled for the time being.¹⁹ The rapid development of sponsorship in soccer came just 2 years later. It is no coincidence that the agreement was concluded in the year of the European Football Championships in Poland and Ukraine.

¹⁸ [D. Goldblatt, *The Age of Football. The Global Game in the Twenty-First Century*, Londyn 2019, p. 544.](#)

¹⁹ J. Montague, *Klub miliarderów. Jak bogacze ukradli nam piłkę nożną*, Cracovie 2018, p. 67.

Map. Nord Stream, South Stream and football clubs supported by Gazprom



In 2012, Gazprom became an official partner of the UEFA Champions League and it is still the main sponsor of this competition. The “image war” in soccer that took place in 2012 had its consequences in the form of Gazprom stepping up in its financing of the sport. Ukraine, by projecting its image as pro-European and open to the world during Euro 2012, has distanced itself politically from Russia. Gazprom could not be left behind in the process of building its own positive image, so in the same year it began exposing its brand in the world's most prestigious club competitions. Soccer and the UEFA Champions League allowed Gazprom to consolidate its position in the minds of soccer audiences as a serious, professional enterprise that "cares" about the development of soccer - the beloved game of millions of Europeans. An example of such action is the launch of the "Football For Friendship" social programme, which aims to support the sporting and social development of children and young people.²⁰

²⁰ <https://footballforfriendship.com>, accessed: 21.04.2021.

The peak of its investment in soccer was the sponsorship of FIFA between 2015 and 2018 - including its sponsorship of the 2018 FIFA World Cup in Russia. There is no coincidence in this action either, as this sponsorship deal was part of the process of improving Russia's image following the escalation of the conflict in eastern Ukraine. Combined with the previous process, this was the culmination of building a positive global image of Gazprom and, by extension, Russia. **Although there are media reports on controversial actions of the company, or on the political influence along the Gazprom-Kremlin line, the consciousness of the mass audience and sports audience does not perceive Gazprom as a negative business actor.** The apparent apolitical nature of sports generates a transnational image of companies financing global sports. This phenomenon ricochets into a positive image of Gazprom as a political actor. Consequently, any actions undertaken by Gazprom in the matter of an investment such as Nord Stream 2 do not pose much of a problem for the mass public. This foundation of the image built over the years is crumbled by anti-Russian European media, which expose the actions of Gazprom and the Kremlin. As the political process on Nord Stream 2 intensifies, one can see a trend towards a calmer sports-sponsorship policy for Gazprom.

However, this is not the end of the Russian giant's operations. Certain operations are unchanged and will remain so for several more years. Today, the Kremlin has much more media attention on Nord Stream 2 issue, German and pro-European media are watching the hands of the Russians much more closely. This means that we can soon expect new, big sponsorship deals in sports, especially soccer. The post-pandemic period should generate an unprecedented amount of positive publicity towards sports in general. As a result, the sponsors currently involved will also build a sustainable new foundation for their own image. **Given Gazprom's activities to date and the intensification of its activities at a time of marked erosion of Russia's positive image in Europe, new sponsorship projects can be expected to rebuild the foundation recently eroded.** Investing in European soccer will continue as long as the process of social and political acceptance of the Nord Stream 2 project continues. If the project is completed (regardless of the outcome), Gazprom will direct its sports priorities in another direction.

Conclusions

Gazprom has been heavily promoting itself through soccer for years, and since the Nord Stream project began, these activities have intensified, which has undoubtedly improved Gazprom's

image in Western European societies. This is a key aspect in building an image and gaining support, which is expected to be crucial for the political acceptance of the project. **Further expansion of Nord Stream 2 will certainly be closely linked to sports sponsorship.** Apart from this, Gazprom will certainly choose to counter political setbacks through the way of these investments, as it is an economic effort that can pay off and, moreover, will again force one to look towards Russia and its energy potential. Even with the diversification of the supply to Europe, it is likely that Germany will set such favorable prices that it will have customers on the continent and it will indirectly aid Gazprom and Russia itself.

Russia's foreign policy will determine Gazprom's sponsorship activities, and the international activity of this enterprise will become a reflection of Moscow's political priorities. Any major energy aspirations of Russia in other parts of the globe will be additionally “packaged” with sports sponsorships of major regional events or sporting disciplines. One may wonder whether European soccer will cease to be Gazprom's priority sponsorship object in the close, unspecified future. It seems that it will not, as a European Football Superleague project is emerging on the horizon (in view of recent events in European soccer, on 18-23.04.2021, it may turn out that this project will also be under the auspices of UEFA or will be postponed for several years). If this sports creation comes to fruition, one can assume with a high degree of probability that the Kremlin will try to locate its primary soft power tool - i.e. Gazprom's "benevolent, sports and society developing" money - in this investment.

In addition to the above, from a global perspective, Gazprom, and more broadly the Russian Federation (including companies such as Rosneft, Lukoil, Surgutneftegas), may gain greatly from the rivalry between the US and China. **While the world's two largest economies imposed tariffs on each other, affecting the price of a range of commodities from LNG to petrochemicals and oil, an opportunity is emerging for Russian companies to export resources to Western Europe.** Another transmission channel in the form of Nord Stream 2 will be just a convenience that not only delivers resources but will be associated with entertainment and sports.

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