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United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS
WASHINGTON, DC 20510-6075

July 28, 2021

The Honorable Janet Yellen
Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, D.C. 20220

Dear Secretary Yellen:

The Nord Stream II natural gas pipeline directly harms the national security interests of the United States and our allies and partners. If completed, this project will increase Vladimir Putin's malign influence over Europe, destabilize Ukraine's fragile security, and encourage further Russian aggression. That is why the United States, during both the Obama and Trump administrations, has strongly opposed Nord Stream II. Opposition has also been broad and bipartisan in Congress.

Unfortunately, President Biden has unwisely reversed longstanding U.S. policy on Nord Stream II. In May 2021, after the State Department adhered to the requirements of the *Protecting Europe's Energy Security Act* (PEESA) by sanctioning Nord Stream II AG (NS2AG), the project company established to plan and build the pipeline, Secretary Blinken unjustifiably waived that sanction. His decision, while legal, overrode the judgement of his own State Department, which sanctioned NS2AG because it "knowingly facilitated deceptive or structured transactions to provide . . . vessels for the construction of [the Nord Stream II pipeline]."¹

However, PEESA is not the only law that requires sanctions on NS2AG. Section 228 of the *Countering America's Adversaries Through Sanctions Act* (CAATSA), which passed Congress with near unanimous support, requires the president to sanction any foreign entity that knowingly facilitates a significant transaction for, or on behalf of, any person that is already under Russia-related sanctions. The State Department's own PEESA findings to Congress, combined with NS2AG's apparent ongoing involvement with sanctioned Russian entities, strongly suggests there is evidence that NS2AG has facilitated significant transactions for, or on behalf of, one or more previously-sanctioned entities.

¹ See PEESA Section 7503(a)(1)(B)(ii) and Report to Congress and Waiver with Respect to Certain Persons Identified on the PEESA Report, 19 May 2021.

For example, the sanctioned Russian-energy company Gazprom² wholly owns NS2AG and the Nord Stream II pipeline.³ The sanctioned Russian pipe-laying vessel *Fortuna*⁴ appears to continue its work on the pipeline's construction.⁵ The sanctioned Russian ship-operator LLC Koksokhimtrans⁶ was reportedly brought into the Nord Stream II project for the sole purpose of evading U.S. sanctions.⁷ The CEO of the aforementioned Russian shipper is allegedly⁸ the sanctioned Russian Loginov Ilya Alekseevich.⁹ The sanctioned Russian shipping company CJSC Sovmortrans,¹⁰ itself a part of the sanctioned Russian shipping conglomerate Sovfracht-Sovmortrans Group,¹¹ appears¹² to have set up¹³ the Nord Stream II ship-operator LLC Mortransservice.¹⁴ And according to an alleged Ukrainian intelligence assessment,¹⁵ LLC Mortransservice received the pipe-laying vessel *Akademik Cherskiy* from the sanctioned Russian

² "OPEN JOINT STOCK COMPANY GAZPROM," *Specially Designated Nationals and Blocked Persons List*, U.S. Department of the Treasury, Office of Foreign Assets Control, 22 July 2021, <https://sanctionssearch.ofac.treas.gov/Details.aspx?id=17250>.

³ "Shareholder & Financial Investors," Nord Stream 2, 2021, <https://www.nord-stream2.com/company/shareholder-and-financial-investors/>, (stating that "Nord Stream 2 AG is a project company established for planning, construction and subsequent operation of the Nord Stream 2 Pipeline.").

⁴ "FORTUNA," *Specially Designated Nationals and Blocked Persons List*, U.S. Department of the Treasury, Office of Foreign Assets Control, 22 July 2021, <https://sanctionssearch.ofac.treas.gov/Details.aspx?id=30823>.

⁵ "'Fortuna' vessel permitted to resume work on NS2," *Poland In*, 24 May 2021, <https://polandin.com/53966174/fortuna-vessel-permitted-to-resume-work-on-ns2>.

⁶ "LLC KOKSOKHIMTRANS" *Specially Designated Nationals and Blocked Persons List*, U.S. Department of the Treasury, Office of Foreign Assets Control, 22 July 2021, <https://sanctionssearch.ofac.treas.gov/Details.aspx?id=20290>.

⁷ "Kompaniya pod sanktsiyami otpravila na 'Severniy potok – 2' ledokol" [Sanctioned company sent icebreaker to Nord Stream 2], *EADaily*, 17 November 2020, <https://eadaily.com/ru/news/2020/11/17/kompaniya-pod-sankciyami-otpravila-na-severnyy-potok-2-ledokol>.

⁸ "Коксохимтранс, ООО," [Koksokhimtrans, ООО], SBIS, 22 July 2021, <https://sbis.ru/contragents/7707294809/773001001>.

⁹ "ILYA LOGINOV" *Specially Designated Nationals and Blocked Persons List*, U.S. Department of the Treasury, Office of Foreign Assets Control, 22 July 2021, <https://sanctionssearch.ofac.treas.gov/Details.aspx?id=27144>.

¹⁰ "CJSC SOVMORTRANS" *Specially Designated Nationals and Blocked Persons List*, U.S. Department of the Treasury, Office of Foreign Assets Control, 23 July 2021, <https://sanctionssearch.ofac.treas.gov/Details.aspx?id=20293>.

¹¹ "SOVFRACHT-SOVMORTRANS GROUP" *Specially Designated Nationals and Blocked Persons List*, U.S. Department of the Treasury, Office of Foreign Assets Control, 23 July 2021, <https://sanctionssearch.ofac.treas.gov/Details.aspx?id=20288>.

¹² "Мортранссервис, ООО" [Mortransservice, ООО], SBIS, 23 July 2021, <https://sbis.ru/contragents/7707847556/390601001>.

¹³ "ЗАО "Мортранссервис," Связанные организации, АО "Совмортранс" [LLC "Mortransservice," Associated organizations, JSC "Sovmortrans"], Rusprofile, 23 July 2021, <https://www.rusprofile.ru/connections/4004184>.

¹⁴ "Россия обходит санкции против Северного-потока-2 – разведка" [Russia bypasses sanctions against Nord Stream 2 - intelligence], 29 March 2021, *BIZ.liga*, <https://biz.liga.net/all/all/novosti/rossiya-obhodit-sanktsii-protiv-severnogo-potoka-2-razvedka>.

¹⁵ "Nord Stream 2: Russia actively trying to circumvent sanctions, Ukraine intelligence says," Ukrainian Independent Information Agency, 29 March 2021, <https://www.unian.info/economics/nord-stream-2-russia-actively-trying-to-circumvent-sanctions-ukraine-intelligence-says-11370226.html>.

Gazprom subsidiary, Gazprom Flot.¹⁶ Yet, the Biden administration has failed to comply with Section 228 of CAATSA by foregoing sanctions on NS2AG.

Until the administration complies with Section 228 of CAATSA, or adequately addresses the absence of penalties on NS2AG, we intend to oppose Department of the Treasury (Treasury) nominees Brian Nelson and Elizabeth Rosenberg should a markup be scheduled for them at the Senate Committee on Banking, Housing, and Urban Affairs. As you know, Mr. Nelson and Ms. Rosenberg have been nominated for senior Treasury positions responsible for overseeing sanctions implementation.

We urge you to reverse course on Nord Stream II and join us in Congress' long-standing defense of European allies and partners from malign Russian aggression. Thank you for considering this urgent national security matter.

Sincerely,



Pat Toomey
U.S. Senator



Richard Shelby
U.S. Senator



Mike Crapo
U.S. Senator



Tim Scott
U.S. Senator



M. Michael Rounds
U.S. Senator



Thom Tillis
U.S. Senator



John Kennedy
U.S. Senator



Bill Hagerty
U.S. Senator

¹⁶ "GAZPROM FLOT, OOO," *Specially Designated Nationals and Blocked Persons List*, U.S. Department of the Treasury, Office of Foreign Assets Control, 23 July 2021, <https://sanctionssearch.ofac.treas.gov/Details.aspx?id=19638>.



Cynthia Lummis
U.S. Senator



Jerry Moran
U.S. Senator



Kevin Cramer
U.S. Senator



Steve Daines
U.S. Senator

cc: The Honorable Sherrod Brown, Chairman, Senate Committee on Banking, Housing, and Urban Affairs