

BACKGROUND INFORMATION

31 October 2008

The Nord Stream Process and Project Update on the Swedish application process

The process until now

In December 2007, Nord Stream filed an application with the Swedish Government, including an application letter (the actual legal application), a technical description with technical annexes and a Map Atlas detailing the path of the two pipelines on the Swedish continental shelf. The latter items were required by Swedish law as per the Continental Shelf Act and the Ordinance of the Continental Shelf Act. Nord Stream also submitted an Environmental Study equivalent to an Environmental Impact Assessment (EIA) under Swedish law.

In December 2007, Nord Stream also filed a conditional application to build a service platform northeast of the island of Gotland in the Swedish Exclusive Economic Zone (EEZ). Since submitting this application, Nord Stream has continued to seek maintenance solutions for the pipeline without building an intermediate service platform.

In view of the debate and concerns in Sweden regarding the platform, Nord Stream continued to investigate the possibilities to conduct inspections of the entire length of the pipelines without a platform. During spring 2008, two independent companies confirmed to Nord Stream that their specially-designed inspection tools were capable of inspecting the pipelines the entire distance from end to end. Thus, advanced technology eliminated the need for Nord Stream to build a platform at the mid-point of the planned pipeline route. Consequently, the application for the platform was withdrawn in April 2008.

After the applications were filed in December 2007, Nord Stream received requests for additional information from the Swedish Government, both in writing in February and during a meeting in May 2008.¹ Furthermore, since the application for the intermediate service platform was withdrawn, the technical concept for installation and operation of the pipeline was changed. The application for the construction of the two pipelines had to be updated because of the information request and the altered technical concept. The updates were relatively extensive. On 1 October 2008, Nord Stream AG submitted an updated application under the Continental Shelf Act to the Swedish Ministry of Enterprise, Energy and Communications. The update

¹ The queries were both general, related to the entire project in other jurisdictions, and specific, addressing issues such as crossing of existing conduits.

consisted of new binders with complete application materials with the aim of assisting the ministry and other authorities during the referrals in their continued processing of the application.

The application process from October 2008 until spring 2009

Since 23 October 2008, the updated application for the laying of the two pipelines on the Swedish continental shelf is being processed in a so-called administrative referral. This means that the application is sent to specific authorities (see below), which will see whether the application will have to be supplemented further. This is a normal step in all permitting processes related to both national territory under the Environmental Code and outside Swedish territory under the Continental Shelf Act.

The bodies within the administrative referral process are the following:

- Swedish Energy Administrative Authority
- National Board of Fisheries
- Maritime Administration
- National Police Department
- Swedish Armed Forces
- Swedish Coast Guard
- National Board of Housing, Building and Planning
- Swedish Weather Institute SMHI
- Geological Survey of Sweden SGU
- Swedish National Heritage Board
- Swedish National Maritime Museums
- Environmental Protection Agency

The government has requested an answer at the latest by 20 November 2008. The next step for Nord Stream is answering any requests for additional information.

Public review will take place thereafter. It is planned for spring 2009 and will coincide with public review in the other countries. During public review, anyone may comment on the project. After such consultation, Nord Stream will address the specific comments. After public review has been completed, the Government will consider the application and draft a decision.

Nord Stream Swedish application documents

- *Application documents, including the application letter and technical description with annexes:* These documents fulfil the formal requirements under Swedish law. These include the legal letter where the legal formalities and boundaries are defined. The letter is supplemented with a technical description describing the technical aspects of the projects within Sweden's jurisdiction.

- *The Map Atlas focuses on the Swedish part of the Nord Stream project*
- *Environmental Study for Swedish EEZ: An Environmental Impact Assessment (EIA) describing the potential impacts and mitigation measures pertaining to the Swedish part of the project, i.e. approx. 500 km of each 1,220-km pipeline.*
- *Annexes to the Environmental Study: Seventeen background reports, some prepared by Ramböll experts and others by Swedish and other external experts. The memos range from spreading of sediments to emissions.*
- *White Book of Comments: The White Book of Comments lists all stakeholder comments regarding the Swedish section of the pipelines. Each comment is listed by topic and includes a short statement that Nord Stream has addressed the issue contained in the comment, referring the reader to relevant chapters of the EIA.*

Espoo process

As a cross-border project, Nord Stream is subject to international conventions and national legislation in each of the countries through which it passes. In the beginning of 2009 the Espoo Report, describing the project in its entirety, will be submitted to the focal points of the respective national authorities in the Baltic Sea states. Public review of the report will coincide with each respective stage of the national permitting process.

Nord Stream will circulate the final draft of the Espoo Report with the focal points in November 2008. The final Espoo Report is to be published for public review in early 2009.

As stated above, application documents were submitted in Sweden in December 2007 and supplemented in October 2008. No other national applications (Russia, Finland, Denmark or Germany) have been filed yet. The reason why Nord Stream focused on filing first in Sweden was because the Swedish permitting process takes longer than in the other jurisdictions. However, it is now time to file in the other countries. Accordingly, the other national applications and EIA materials will be submitted in late 2008 and early 2009 respectively. Nord Stream's main objective is to synchronise consultations with the public for both the international Espoo Report and the relevant national applications in all countries as much as the applicable legal framework allows.

Continuous dialogue about the project

Public information meetings were held in Stockholm and Visby on 29 and 30 November 2006. In January 2007, there was a press briefing in Stockholm. In September 2007, an information day was held in Stockholm. On 30 November 2007, Nord Stream held a seminar with fishermen's associations and authorities from Sweden and Denmark in Malmö. The purpose of the event was to inform these groups about the possible impact of the planned natural gas pipeline on fish and fisheries, as well as increase interaction with the fishermen and establish a close working relationship on this issue. Approximately 25 people from affected regions in both countries attended the seminar. A seminar was also held in July 2008 during the Almedalen Week in Visby. The Pipeline Information Tour, designed to provide the general public with information on all aspects of the pipeline, has visited Sweden and will tour the countries around the Baltic Sea.

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Additional notes:

Nord Stream is a natural gas pipeline that will link Russia and the European Union via the Baltic Sea. Gas imports by the European Union, 314 billion cubic metres (bcm) in 2005, are projected to grow by almost 200 bcm to 509 bcm per year in 2025 (Source: European Commission/DG-TREN, 2007). Connecting the world's biggest gas reserves with the European gas pipeline network, Nord Stream will meet about 25 per cent of that additional requirement. The project will be an important contribution to long-term security of supply and a milestone of the energy partnership between the European Union and Russia.

Nord Stream AG plans to have the first of two parallel pipelines operational in 2011. Each line is approximately 1,220 kilometres long, providing a transport capacity of some 27.5 bcm per annum. Full capacity of about 55 bcm a year will be reached in the second phase, when operation of the second line starts.

Nord Stream AG is an international joint venture established for the planning, construction and subsequent operation of the new offshore gas pipeline across the Baltic Sea. Gazprom holds a 51 per cent stake in the joint venture. BASF/Wintershall and E.ON Ruhrgas hold 20 per cent each, and N.V. Nederlandse Gasunie has a 9 per cent stake.