

BUSINESS MEETING

Wednesday, July 30, 2019

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
WASHINGTON, DC.

1 The committee met, pursuant to notice, at 10:30 a.m., in Room S-116, The
2 Capitol, Hon. James Risch, chairman of the committee, presiding.

3 Present: Risch [presiding], Johnson, Gardner, Romney, Barrasso, Portman,
4 Paul, Young, Cruz, Menendez, Cardin, Shaheen, Coons, Murphy, Kaine, and
5 Merkley.

OPENING STATEMENT OF HON. JAMES E. RISCH, U.S. SENATOR FROM IDAHO

6 **THE CHAIRMAN.** This meeting of the Senate Foreign Relations Committee
7 will come to order.

8 I want to thank everyone for being here today as we consider Senate Bill
9 1441, the Protecting Europe's Energy Security Act of 2019, which was held over
10 from the business meeting we held last week. This bipartisan bill would sanction
11 companies operating the vessels that lay pipes for Nord Stream 2 and the
12 TurkStream pipeline. These pipelines could result in further destabilization of

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1 Ukraine and enrichment of the Putin regime, and they put at risk the security of
2 NATO member-states.

3 I would again like to thanks Senators Cruz and Shaheen for their work on
4 the revised Cruz substitute amendment to this bill, which I will be supporting.
5 This bill is a specific, targeted, and timely way to counter Russian malign
6 influence, and I urge all my colleagues to support it. I will now turn it over to
7 Senator Menendez.

**STATEMENT OF HON. BOB MENENDEZ,
U.S. SENATOR FROM NEW JERSEY**

8 **SENATOR MENENDEZ.** Thank you, Mr. Chairman. I appreciate Senator
9 Cruz's and Shaheen's leadership on this issue. I have significant concerns that
10 Russia has used energy as a weapon, not just as an economic opportunity. And I
11 am concerned that creating a permanent alternative export to the Ukrainian
12 pipeline system will further undermine Ukraine's economic security and
13 potentially increase its vulnerability to additional Russian military incursions.

14 As we consider this bill, let us be reminded of the Russian Federation's
15 2014 illegal occupation of Crimea, and the invasion of Eastern Ukraine. The
16 death toll in the Donbass in Eastern Ukraine is reported to be over 13,000, a
17 quarter of them civilians, with as many as 30,000 wounded. And I think the

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1 international community must stand firm against opening more doors and
2 creating new opportunities for further Kremlin aggression in Ukraine leading to
3 the loss of life.

4 The Russian Federation has repeatedly used its energy resources as a lever
5 of power, and I believe Nord Stream 2 is no exception. Not only will it
6 considerably strengthen the Kremlin's stranglehold on Europe, but it allows
7 Moscow to further undermine Ukraine's sovereignty and stability. I am going to
8 vote for the bill. Having said that, I do have concerns about the transatlantic
9 alliance, particularly with Germany, and we need to be engaged robustly with
10 Germany in terms of our mutual interests, as Germany has been the singular
11 most significant voice in strengthening our sanctions against Russia. And while
12 we may have disagreement on this issue, I think it is important for us to be
13 engaged with Germany in a way that makes it clear that this disagreement does
14 not interfere with other things that we usually agree upon and have mutual
15 interests with.

16 And with that, Mr. Chairman, I ask unanimous consent that my full
17 statement be included in the record.

18 **THE CHAIRMAN.** It will be.

[The information referred to follows:]

Remarks Submitted by Ranking Member Robert Menendez

Thank you, Mr. Chairman.

As I stated last week, this is a good bill, and I appreciate Senator Cruz's leadership on this issue.

I am opposed to the Nord Stream 2 pipeline project, which poses a significant risk to European energy security. Nord Stream 2, if completed, would create a permanent alternative export route to the Ukrainian pipeline system, further undermining Ukraine's economic security and potentially increasing its vulnerability to additional Russian military incursions.

As we consider this bill, let us be reminded of the Russian Federation's 2014 illegal occupation of Crimea and invasion of eastern Ukraine. The death toll in Donbas in eastern Ukraine is reported to be over 13,000 – a quarter of them civilians – and as many as 30,000 wounded. The international community must stand firm against opening more doors and creating new opportunities for further Kremlin aggression in Ukraine, leading to loss of life.

The Russian Federation has repeatedly used its energy resources as a lever of power, and Nord Stream 2 is no exception – it is primarily a political project for Putin. Not only does it considerably strengthen the Kremlin's stranglehold on Europe and allows Moscow to further undermine Ukraine's sovereignty and stability.

In addition, proceeding with Nord Stream 2 risks weakening the credibility of both the EU's sanctions regime against, and overall policy toward, Russia.

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Because this bill could will help significantly delay—if not stop—the Nord Stream 2 pipeline project, it has my support, and I encourage my colleagues on both sides of the aisle to support it as well.

Mr. Chairman, while I commend Senator Cruz’s leadership on the specific issue of Nord Stream 2, I will renew my call for the Committee to meet its responsibilities when it comes to countering the threat posed by the Kremlin. In the 116th Congress, we have not yet addressed in a meaningful way Russian attacks on our democracy, or on its malign activities around the world.

There are several Russia-related bills pending in Committee, and I urge that we develop a strong, clear and bipartisan path forward to send a clear message of resolve to the Kremlin.

To that end, I intend today to call up Menendez Amendment #1, which is the full text of the Defending America’s Security from Kremlin Aggression bill that Senator Graham and I introduced earlier this session, and I will have more to say on that later.

Thank you, Mr. Chairman.

1 **THE CHAIRMAN.** And, Senator, I want to concur with those remarks.
2 Particularly, like you, I am concerned about the relationship with Germany. Like
3 you, I have met with the people from Germany, and they likewise are concerned
4 about the relationship. I think they are in agreement with us that this single
5 matter, even though it is of major concern to us, is not going to be one that tips
6 over the relationship. But nonetheless, everyone needs to work together because

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1 it is an important relationship obviously in our relationship with the -- with
2 Ukraine.

3 So with that, we have now before the committee Senate Bill 1441. Are
4 there other committee members who wish to be heard? Senator Cruz, it is your
5 bill.

6 **SENATOR CRUZ.** Mr. Chairman, thank you very much. And let me start by
7 thanking the chairman and ranking member for working so closely with me and
8 Senator Shaheen on moving this bill forward. I think this bill is exceptionally
9 important as a matter of national security. Virtually every one of us around this
10 table agree that if Nord Stream 2 is built, if it is completed, that that is a bad
11 development for America and a bad development for the world.

12 Nord Stream 2 being completed would weaken Ukraine, depriving them
13 of billions of dollars of needed revenue annually. It would simultaneously make
14 Ukraine far more vulnerable to further military incursions from Russia, much
15 like Russia took Crimea. With this pipeline being completed, Ukraine's ability to
16 press back against Russian aggression would be seriously compromised, but
17 Nord Stream 2 would also seriously harm Europe. It would make Europe very
18 directly dependent on Russian gas. As the ranking member observed, Russia has

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1 a bad history of using energy as a weapon and threatening to or, in fact, cutting
2 off gas, particularly during a cold winter when it needed to exert pressure on
3 other countries. And putting Europe in a position to face economic blackmail
4 from Russia is bad policy and foolishness.

5 Finally, it would be bad for America. Nord Stream 2 would generate
6 billions of dollars of revenue for Russia at the expense of Europe and at the
7 expense of the United States. Absent Nord Stream 2, Europe is going to have
8 energy needs. I would far rather they buy their energy from the United States or
9 from anywhere else rather than directly from Russia, putting billions in Russia's
10 war coffers.

11 I am reminded of the phrase that our former colleague and friend, John
12 McCain, used colorfully to describe Russia, where he described Russia as a gas
13 station with a country attached. Putin gets his revenue for military adventurism
14 and hostility directly from Petro, billions flowing into the country. This bill is
15 designed to stop the pipeline from being disruptive. I recognize on the question
16 of sanctions and when to employ sanctions there are and should be debates
17 about if and when sanctions are an effective tool. Sometimes they are.
18 Sometimes they are not. I will say on this bill, Senator Shaheen and I worked

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1 very carefully to construct a bill that is so narrow as to be precisely surgical. It
2 surgically targets --

3 There are five companies in the world that have the technology to lay the
4 pipeline for Nord Stream 2 deep enough under the sea to get it done. The
5 Russians lack the tech. They cannot do it on their own. There are only five
6 companies in the world that can do it. They have contracted with two of them,
7 an Italian company and a Swiss company. If we pass this legislation, that Italian
8 and Swiss company would face the threat of sanctions if they continue building
9 the pipeline, and the only rational thing for them to do is pull out of the project.
10 And at that point, Russia has no means to complete the project.

11 So it is narrow, it is focused, it is surgical, and it is designed to produce the
12 result that is good for Europe, that is good for America, and that is bad for
13 Russia. And so I appreciate the strong bipartisan support we have seen in this
14 committee, and I encourage members to support the bill.

15 **THE CHAIRMAN.** Further debate? Senator Shaheen, you are also a sponsor
16 of the bill, then Senator Paul.

17 **SENATOR SHAHEEN.** Yes, thank you, Mr. Chairman. I appreciate your
18 support for the bill and Senator Menendez's support, and the close relationship

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1 that Senator Cruz and I have had in making some changes to the bill in a way
2 that I think make it an even better piece of legislation.

3 And I understand the concerns that you all have expressed about the
4 impact -- potential impact on our relationship with Germany, but the reality is
5 that the majority of Europeans who understand this project also have raised
6 concerns about it. And those people include former German minister of defense
7 and future head of the European Commission, Ursula von der Leyen. She has
8 warned, and I quote, of "the danger of over dependence on Russian energy" and
9 openly calls the pipeline a project that is not close to her heart.

10 We have heard in our office directly from other countries in Eastern and
11 Central Europe, and the Baltics, and many of the Nordic states, and of course
12 especially Ukraine, who understand that this pipeline is just an attempt to avoid
13 the pain Ukrainian -- it is an effort to increase reliance on Russia among Europe.
14 And I would argue that this does nothing to strengthen the transatlantic alliance,
15 the Nord Stream 2 pipeline. In fact, it actually decreases the support for the
16 alliance.

17 Energy diversification and diminishing dependence on Russian energy are
18 vital to Europe. As Ted said so well, they are vital to the United States' interests.

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1 And this is a very narrowly-tailored piece of legislation that targets those ships
2 that have the ability to lay this kind of pipeline. And so we think that marking
3 up this legislation is important to defending American security from Kremlin
4 aggression, and hope that the majority of this committee will support it.

5 **THE CHAIRMAN.** Thank you, Senator Shaheen. There is outright hostility
6 by some of Germany's European and NATO siblings in this regard. I think that
7 should be pointed out, that this is -- this is not uniformly supported by the
8 Europeans. Indeed, if they had a vote on it, it would go down just from --
9 anecdotally from the stories I have heard from the various countries that I have
10 met with. There is not a lot of love for this project. Senator Paul.

11 **SENATOR PAUL.** The same people, if they are asked to vote on dividing up
12 Germany so all of their countries would be bigger and more powerful than
13 Germany, they would probably also vote for that as well. Most of you have
14 heard of the Reagan saying about people who believe that government can cure
15 all. It is said if it moves, tax it. If it keeps moving, regulate it. If it stops moving,
16 subsidize it. I think an addendum might be if you do not like which way it is
17 moving, sanction it.

1 Many in Congress see the United States as the indispensable arbiter of all
2 that is good and proper in the world. It is a jingoism and an arrogance that
3 believes America knows best and the rest of the world best listen or else. This
4 bill takes hubris to a new low. This bill ostensibly is to punish Russia, but in
5 reality punishes international companies that do a significant bit of business in
6 the U.S.

7 Really if we talk about the transatlantic alliance, do you think it is going to
8 strengthen the transatlantic alliance by sanctioning people who are our European
9 allies? The bill should really be entitled a bill to sanction our allies. Many of
10 these allies have supported us in sanctions against Russia. For their support, we
11 reward them by sanctioning their industries. If these sanctions succeed in
12 punishing European companies, keeping them away from pipeline work, they
13 will simply be replaced with Russian businesses. What kind of success will that
14 be?

15 If this bill were to succeed in stopping Nord Stream 2, which is unlikely,
16 one unintended effect would be to push Russia closer to China. In fact, Russia is
17 nearing completion of a pipeline to China, so if they do not send it to Europe,
18 they are going to send it to China. In addition, we need to think of all the

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1 sanctions we are heaping on everybody around the world as we show that we
2 know what is best for everyone. So we are preventing Iran from selling oil to
3 China. What is that going to do? It is aiding Russia now in setting up a source to
4 sell their natural gas to China. So one sanction compounds another, and they all
5 make no sense. I mean, really are we going to do it because we sell LNG from a
6 certain state? Are we like, oh, we are going to help this state by forbidding other
7 countries from selling something that we sell here? I mean, that is about the
8 opposite of free marketing economics I have ever heard.

9 As I understand it, the bill, though, is aimed at stopping the pipeline. It is
10 important to know the thing has been going on for years. This is not stopping
11 any pipeline. Eighty percent of the pipeline has already been laid. This is not
12 stopping it. It is true there are a limited amount of companies that can lay the
13 deep sea pipeline, but there is also argument that a lot of the deep sea pipeline
14 has been laid. You try to cut off the financing, there are also arguments that
15 Russia will finance the remaining portion. It will be built. There is no way that
16 an 80 percent built pipeline -- you know, this might have been a discussion 10
17 years ago. This is a pipeline that is almost done. You are not going to stop it. All
18 you are going to do is piss off our European allies.

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1 Assuming these sanctions are even put into place before the pipeline is
2 completed, there is already a long line of investors ready to step up to finish this.
3 Ultimately Russian gas will get to market. Whether Europe continues to buy 80
4 percent of their gas is unknown. What is known is that someone will buy it, so
5 we are not really stopping the pipeline, and we are not doing anything that
6 necessarily hurts Russia. Then what are we simply doing?

7 For one, we are poised to sanction a bunch of traditional allies. We have
8 apparently come to the belief that sanctioning companies in Germany, France,
9 Italy, the Netherlands, and Austria is somehow going to be an effective way to
10 counter Russia, that sanctioning NATO allies is a good way to counter Russia.
11 These countries have, in many cases, already spoken out on the possibility of
12 being subjected to sanctions by our government. There is a real concern that
13 their efforts to help us as strategic allies in this region -- most of them have been
14 allies in sanctions we have put on in the past -- that this will be -- work against
15 our own interests in having them work with us.

16 They have also made it clear that there is plenty of room for American
17 LNG. There is a projected 68-billion-cubic-meter-per-year shortage of gas in
18 Europe. There is plenty of play. Germany has shown an opening to LNG. I was

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1 just over there a month ago. They are very willing and open to allowing LNG
2 facilities there. There is enough room for Russian gas and there is enough room
3 for American LNG. But even if there were not, are we really going to sanction
4 people because -- we are going to sanction people because we sell something and
5 try to be dominant in a market, and we are just going to sanction other countries
6 for these reasons?

7 They are already constructing -- they have begun to address this by
8 constructing multiple LNG terminals at ports in Western Europe. If this is how
9 we treat our friends, then at what value is it to be our friend? And let us not
10 leave out the Swiss, the world's most famously neutral country. If we are going
11 to sanction our friends, you had better believe we are going to sanction neutral
12 parties, too. The biggest company that lays the pipe is out of Switzerland. We
13 are going to sanction a Swiss company. This bill tries to make them divest as
14 well or else face sanction.

15 There are also concerns with how broad the sanctions under this bill
16 would be once implemented. From the bill, and I quote, "Underwriting services
17 or insurance or reinsurance for a vessel" could mean a lot of things. That could
18 not only mean a company, but the investors in that company. Are we going to

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1 leave to chance to let the Administration decide this at a later date, not to
2 mention that many of these companies are international companies with tens of
3 thousands of American employees. Are we really positive we are not going to be
4 sanctioning Americans with this bill?

5 Here are some examples of some of the companies we are talking about.
6 Allseas, a U.S. headquarters -- has its U.S. headquarters ironically in Houston,
7 has built over 4,000 miles of pipeline in the Gulf of Mexico. This is who we are
8 going to sanction, who do work in our country all the time, including a recent
9 450-mile pipeline enabling U.S. commerce in Mexico. Their director wrote to me,
10 "The implementation of this bill could hamper the future developments of major
11 oil and gas projects and oil export terminals in the Gulf of Mexico. Allseas
12 believes" -- this is the company -- "believes that Nord Stream 2 pipeline is
13 inevitable even if they are forbidden." They the think the pipeline, there is no
14 way it is not going to be completed.

15 But realize what you are doing to them. This is a company that is a world
16 citizen, a good citizen, that obeys the law. You may be able to stop them, but do
17 you realize what you are going to do to them? They have billions of dollars of
18 profit that will be lost. They have contracts. To breach their contract, you will

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1 force them to pay millions, if not billions, of dollars in fees. This is what we are
2 up to now. As a country, we are going to get in the middle of a contractual
3 negotiation, something that is 80 percent built, and we are going to fine
4 international companies that do business in our country, make them breach their
5 contract?

6 Shell Oil will also be sanctioned. They employ more than 17,000
7 employees in the U.S., ironically, many of them in Texas -- Port Arthur, Deer
8 Park, Houston, 11 other locations in the U.S. Last year they paid the U.S.
9 government \$6.3 billion in taxes. We are going to sanction Shell? BASF will also
10 be sanctioned. They have their headquarters in Florham Park, New Jersey. They
11 employ, like, 20,000 people in North America. I remember them because as a kid
12 they are big in Freeport, Texas. They have a couple thousand people. It is a few
13 miles away from where I grew up. BASF is a big name. Sure they are a German
14 company, but we have international companies that are all over our country.
15 They have other locations in Union, New Jersey, Beaumont, Texas, Port Arthur,
16 Houston, Pasadena, Texas, 40 other locations across 23 States.

17 The CEO of Wintershall, the CEO of Uniper, and the CEO of OMV -- these
18 are companies involved with building the pipeline -- this is, I quote from an

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1 article in *National Interest*: "Nord Stream 2 simply provides another option for
2 consumers and increases competition. Competition between suppliers helps
3 keep prices down, which is what a healthy market for a fungible product
4 dictates."

5 I think the thing is we mistake something that really Adam Smith talked
6 about in *Wealth of Nations*. In *Wealth of Nations*, he talks about how exchanges are
7 mutual arrangements where both sides benefit. So if I am in Europe and I give \$1
8 billion to Russia and they give me oil, I do not give them \$1 billion unless I value
9 their oil more than the \$1 billion. They do not give me their oil unless they value
10 the \$1 billion more. It is a win-win situation. It is a transaction where both are
11 interdependent and both perceive a victory or they would not trade. One wants
12 the oil, one wants the money, and they all want whatever they are going to get
13 more than the other.

14 And so the thing is to look at this and say, oh, they are going to be
15 completely dependent on Russia. Well, Russia will be completely dependent on
16 their money, and there are all kinds of other places that are going to sold. This is
17 not going to work, but really for the people who say they are for our transatlantic
18 partners, you are doing the opposite here. ENGIE is a French energy company

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1 who has its U.S. corporate headquarters, ironically again, in Houston, Texas and
2 employs some 7,000 Americans at 62 locations across U.S. They paid \$4 billion in
3 U.S. taxes. You are going to sanction them, too. Since 2015, they have invested
4 \$3 billion in the United States.

5 Here is a letter from ENGIE, this corporation. "Because of the political
6 escalation U.S. sanctions would create, we fear that the likely damage of this
7 legislation would extend beyond this particular project." The meaning is that
8 you are sending a signal to people that really when they sign billion-dollar
9 contracts anywhere in the world, they may be overruled by a political body in
10 the U.S. And do we have the power? We have this enormous power. What do
11 we think this enormous power is ultimately going to do to the rest of the world
12 as we continue this? They are going to work as hard and as diligently, and they
13 are working all the time. Russia and China are meeting on a day-to-day basis
14 trying to get out from under the ability of the dollar to starve them. We have this
15 ability, but we are pushing everybody else in the world that we sanction together
16 in opposition and out of the -- out of the dollar eventually.

17 Finally, it should be noted that the president and the CEO of the American
18 Petroleum Institute, which represents 620 corporate members from across

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1 industry, wrote a letter on July 30th opposing this legislation. They echoed the
2 sentiment that Nord Stream 2 was nearly completed and that the sanctions will
3 not work. They also said that it would establish a precedent that could
4 significantly harm American industries operating abroad. What happens is we
5 will be at a competitive disadvantage. Why have Americans involved at all?

6 Could damage to the U.S.-EU transatlantic relationship also occur? Yes,
7 because they are not likely to help achieve U.S. foreign policy objectives if we are
8 sanctioning them. Our unilateral -- these sanctions are unilateral instead of
9 multilateral, which shows basically it is our way or the highway. And it is really
10 -- the only sanctions that have ever worked probably have been ones that have
11 sort of everybody coming together, such as we had originally with Iran.
12 Furthermore, in order to protect American interests -- this is from -- also from the
13 American Petroleum Institute-- "In order to protect American interests, the
14 measures in these bills would greatly benefit from additional review by relevant
15 congressional committees, subject matter experts, and American industry
16 stakeholders before they advance further in the legislative process." Should we
17 not have wanted to hear from some of the businesses that are going to be
18 sanctioned, some of the businesses that do business in our country, some of the

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1 businesses that are not involved that are international businesses, but that now
2 will have to fear that their contracts will be abrogated by the U.S. Congress?

3 So to summarize, there is a great deal of consternation with this proposal
4 among our European allies. It makes no sense to go after people that are helping
5 us apply pressure on Russia in many other areas. We do not know what exactly
6 these sanctions will look like because much of the power is left to the
7 Administration. We do not know what the economic impact will be on American
8 jobs in places like the Gulf of Mexico. We should be having more discussions,
9 maybe more hearings, to explore whether this model of sanctioning our friends
10 will bring any actual benefit. Until then we should not be pushing this bill
11 another inch towards the finish line.

12 Mr. Chairman, I would like to submit seven letters of opposition to the
13 record, including quotes from several members of the EU, different countries and
14 their governments, and from four independent companies, including the
15 American Petroleum Institute, the German ambassador to the U.S., and one from
16 the National Foreign Trade Council, in opposition to this bill. And I urge a no
17 vote.

[The information referred to above is located at the end of this transcript, beginning on page 51.]

1 **THE CHAIRMAN.** It will be included in the record. Senator Coons is next.

2 **SENATOR COONS.** Thank you, Chairman Risch, Ranking Member
3 Menendez. I respect the wide range of concerns and views that have been raised,
4 and recognize the legitimacy of concerns about the U.S.-Germany relationship
5 and continuing to strengthen the transatlantic alliance. But I also have
6 confidence that Senator Shaheen, Senator Cruz, Senator Johnson, and others, and
7 as well, of course, the chairman and ranking member have looked closely at the
8 ways in which these sanctions are carefully and tightly targeted in a way
9 designed to send a strong message of opposition to Russia's use of energy as a
10 tool.

11 I, like many of us, have been to Ukraine, remain gravely concerned about
12 Russia's ongoing aggression against Ukraine, and the ways in which Russia
13 finances its aggression through the use of its sole remaining major export of any
14 interest, which is energy. I do think the senator from Kentucky raises legitimate
15 concerns about the scope and reach of our sanctions and how and when we

1 apply them. And those concerns have also been raised to me by a number of
2 advocates.

3 Having reviewed closely how this was crafted, I look forward to
4 supporting it and think it is tightly targeted on an important goal. Thank you,
5 Mr. Chairman.

6 **THE CHAIRMAN.** Senator Barrasso.

7 **SENATOR BARRASSO.** Thank you very much, Mr. Chairman. And to
8 follow up with what Senator Coons said, I am grateful for the work that Senator
9 Cruz has done, Senator Shaheen. A number of us were on that trip. Senator
10 Murphy was there, Johnson. Eight of us were in Ukraine the day that the
11 Russian -- they actually got us out of town on a Saturday night, and that Sunday
12 morning the Russian helicopters landed at the gas plant in Crimea, and that is
13 how Crimea was seized. We were actually scheduled that Saturday to fly to
14 Donetsk from Kiev, and they would not let us go because of the insurgence in
15 Russia and the number of freedom fighters who were actually killed that night in
16 Donetsk. So we are very familiar with all of this, and I am happy to be a co-
17 sponsor. I think we are doing absolutely the right thing.

1 We know that Russia uses energy as a weapon. All has been said. I think
2 we actually need to go further. I would like to go further, not today, but in the
3 future. I have introduced legislation called the ESCAPE Act. It stands for Energy
4 Security Cooperation With Our Allied Partners in Europe. So I think we need to
5 go further in terms of dealing with Russian aggression, and I am urging the
6 committee to take that next step.

7 And I think it was that meeting when we were there, all of eight of us,
8 where Senator McCain issued his very famous line. He said, "Russia is a mafia-
9 run gas station masquerading as a country." And I think as long as we continue
10 with that vision in our mind and the words of Senator McCain, we will be on the
11 right path. So, thanks, Mr. Chairman.

12 **THE CHAIRMAN.** Your quote was close enough.

13 [Laughter.]

14 **THE CHAIRMAN.** History has a way of getting through these things.
15 Senator Murphy, you are next.

16 **SENATOR MURPHY.** Thank you very much, Mr. Chairman. Thanks to the
17 sponsors of the legislation. I support it. I share some of the concerns about the
18 consequences for our relationships in Europe, but we are spending \$4 billion a

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1 year today on a European reassurance initiative that will be made much more
2 effective if we have a comprehensive policy to confront Russian aggression and
3 not simply through military reassurance efforts.

4 I would just say I think the message we are sending today could actually
5 be stronger if we adopt both a carrot and stick approach. This is certainly a stick,
6 sending a message. There will be consequences to companies that participate in
7 a project that accrues to the detriment of U.S. national security interests. But I
8 and Senator Johnson, Senator Gardner, Senator Rubio, and others have
9 legislation that would set up a new financing mechanism at no cost to the
10 American taxpayers to help countries on Russia's periphery become energy
11 independent. And to me, this is a potentially incredibly effective one to launch,
12 both leveling very targeted, very thoughtful sanctions against those who
13 participate in this project, while also extending a hand of assistance to countries
14 that want to make themselves independent of Russia's energy bribery and
15 extortion, but may need some help from American financing mechanisms to do
16 that.

17 And so the chairman and I have talked about this piece of legislation,
18 passed the House, pending before this committee, supported by the

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1 Administration. I believe if we pass that quickly on the heels of this piece of
2 legislation, it may -- it may soothe some of the potential rough feelings in Europe
3 who want us to be partners with them in a way that we may not always be today.
4 That is a way to do it. Thank you, Mr. Chairman.

5 **THE CHAIRMAN.** Thank you, Senator Murphy. I am so inclined as you
6 know. Senator Kaine.

7 **SENATOR KAINE.** Senator Risch, just a question for the chair. I have an
8 amendment that I would like to call up, but it may be -- it may be we adopt the
9 substitute amendment and then folks call amendments.

10 **THE CHAIRMAN.** Right.

11 **SENATOR KAINE.** And it is sort of along the line that Senator Murphy said.
12 It is one that I think would enhance this bill, and I would be willing to not -- to
13 table the amendment today if I could get a commitment that this bipartisan bill I
14 have, which would establish that no President would -- could withdraw from
15 NATO without either Senate ratification since it is a Senate treaty or a vote of
16 Congress. I think that would send a very strong message to our European allies
17 that we are in support of them.

1 I think it is appropriate as an amendment to this because it deals with the
2 security of Europe, but I would be very happy to delay it if I could get a
3 commitment that it could be marked up in this committee. It has 12 sponsors, six
4 Democrats, six Republicans, and it is in the same lane as this bill.

5 **THE CHAIRMAN.** Yeah.

6 **SENATOR KAINE.** So I do not know what your preference is in terms of
7 when I would call it up.

8 **THE CHAIRMAN.** Let us finish this up.

9 **SENATOR KAINE.** Okay.

10 **THE CHAIRMAN.** Let us get the substitute amendment adopted.

11 **SENATOR KAINE.** Okay.

12 **THE CHAIRMAN.** And then let us talk about that other amendment.

13 **SENATOR KAINE.** Got it.

14 **THE CHAIRMAN.** So is there -- let us see, who do I have next? Senator
15 Johnson.

16 **SENATOR JOHNSON.** You know, as a co-sponsor of this bill, I listened to
17 Senator Paul, and he made many good points. Unfortunately, this piece of
18 legislation, I think, is necessary. I have said repeatedly it is a tragedy of historic

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1 proportions that Putin and Russia has chosen the path they have chosen: their
2 aggression against Georgia, against Russia, you know, the pros and cons of
3 Transnistria, the illegal annexation of Crimea. And the fact of the matter is we
4 have, you know, these partners that are aiding and abetting Russia's geopolitical
5 aggression.

6 I would love to have Russia be no more than a friendly rival as opposed to
7 pretty much a stated adversary. So it is a dirty, ugly world in many respects, and
8 I think this is something that we have to pass to send a pretty strong message
9 and try and prevent that. Ukraine is ground zero in this geopolitical struggle,
10 and we do need to support the new president, President Zelinsky. We need to
11 support Ukraine. Nord Stream 2 obviously undermines Ukraine dramatically.

12 And so, again, I listen to your points. I agree with so many of them, but I
13 think the higher goal here is countering Russia's aggression and doing it with this
14 type of legislation. And, again, it is unfortunate that this is required, but I think
15 it is. So, again, I appreciate the work that Senator Cruz and Senator Shaheen
16 have done on this trying to make a bad situation a little bit better.

17 **THE CHAIRMAN.** Thank you, Senator Johnson. Senator Shaheen and then
18 Senator Cruz.

1 **SENATOR SHAHEEN.** Well, I just wanted to correct some of the incorrect
2 points that I think Senator Paul made about the companies that are affected.
3 There are only two companies that are affected by this legislation. One is Allseas,
4 and it is the only one that is still affected by the legislation. The other is an Italian
5 company, Saipem. And Shell Oil, at least according to the people from Shell who
6 talked to our office yesterday, they understand that they are not affected by this
7 legislation.

8 The other thing that I just wanted to point out is that the deal with Nord
9 Stream 2 was signed by Chancellor Schroeder before he left office, actually in the
10 final weeks of his time as chancellor. He left there to become the head, the CEO
11 and chairman, of Gazprom. So as Chancellor Merkel pointed out, he had a huge
12 conflict of interest when he signed that deal. And, you know, again, Germany is
13 not united in supporting Nord Stream 2 as -- and Europe is not either. So I think
14 the idea that this is somehow going to be against the interests of our allies is not
15 at all true.

16 **THE CHAIRMAN.** Thank you, Senator Shaheen. Senator Cruz.

17 **SENATOR CRUZ.** Thank you, Mr. Chairman. I appreciate Senator
18 Shaheen's effective comments a moment ago, and I want to thank everyone

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1 around the table for the strong bipartisan support for this bill. I do want to
2 briefly respond to some of the substantive points Senator Paul made just simply
3 to correct the record.

4 I have agreed with Senator Paul on a number of issues before this
5 committee, including supporting his amendments on tax treaties, and I think his
6 concerns are often well founded. In this instance, I think his concerns are
7 particularly ill founded. Voting no on this bill, as Senator Paul is urging you to
8 do, would have predictable effects. It would be good for Russia, bad for
9 America, and bad for Europe. This pipeline being built is good for Russia, bad
10 for America, and bad for Europe.

11 Senator Paul suggested a whole list of companies that might potentially be
12 targeted by this. That list is inaccurate. As Senator Shaheen pointed out, there
13 are two companies that are laying this pipe. This is surgically designed to stop
14 the pipeline from being built. And actually, if and when this bill is passed and
15 signed into law, it is my expectation that this bill will result in sanctioning
16 nobody. This bill is designed to change the conduct of those two companies.
17 Those two companies when this bill is signed into law will make the rational

1 economic decision that the sanctions are too punitive to undertake, and so they
2 will cancel the contract.

3 The intended effect of this bill is to stop Nord Stream 2 in its tracks before
4 it is built. Now, Senator Paul argued, well, the pipeline will be complete no
5 matter what. There are five companies and only five companies on earth that
6 have the technology to do this. As long as this bill is on the books, none of those
7 five companies is going to step forward and subject themselves to the sanctions.
8 And so unless Aquaman magically appears and starts laying pipe, this pipeline is
9 not getting completed, and the Russians do not have the technology to do it. So
10 they may scream and yell, but they do not actually have the technology to get the
11 job done.

12 I would point out also if you are concerned about sanctions on our friends,
13 the worst thing you could do is vote against this bill. Why is that? Because if
14 Nord Stream 2 is completed, under the terms of CAATSA, which we passed,
15 Section 232 authorizes sanctions on anyone who "sells, leases, or provides any
16 goods, services, technology, information, or support over \$1 million for
17 constructing Russian energy export pipelines." Under existing law, the Trump
18 Administration or any next administration has the authority to sanction the hell

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1 out of almost all of our allies if Nord Stream 2 is built. If you do not like
2 sanctions against our allies, this bill prevents Europe from being subject to
3 CAATSA sanctions that we have already passed into law and are binding right
4 now. So this actually avoids sanctions going into effect by stopping the project.

5 One final point. In terms of Europe and what Europe wants to see
6 happen, it is worth noting that on March 12th, 2019, the European parliament
7 adopted a resolution calling for Nord Stream 2 to be stopped. The vote in the
8 European parliament was 402 to 163. Europe understands that being dependent
9 on Russia and placed in a position of being subject to economic blackmail is bad
10 for Europe. And so this is a vote standing with our friends in Europe and also
11 standing up for America.

12 **SENATOR PAUL.** Mr. Chairman?

13 **THE CHAIRMAN.** One more time, Senator Paul.

14 **SENATOR PAUL.** The pipeline will be built. It is an inevitability.
15 Everybody involved with it says it will be completed. It is 80 percent completed.
16 The deepest and the most difficult technological work has been done, so the
17 pipeline will be completed. But let us give you the point and say, oh, well, we
18 are going to stop them in their tracks because we believe in the free market,

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1 except for when we do not believe in the free market because we do not like
2 other countries. We are going to stop them in their tracks. Maybe we will be
3 able to sell some more gas from Texas or wherever.

4 They are going to sell the gas. They will sell it to China. They got a
5 pipeline to China. It is going somewhere. We say, well, we would rather the gas
6 be routed through Ukraine. Who are we? Like, you know, like we are some sort
7 of omnipotent god and we should decide where oil is routed and what countries
8 it goes through, and we are here to arbitrate and tell the world how to sell their
9 oil and what routes it should take? One, it is not practical and will not work, but
10 the arrogance of thinking that somehow we should be in charge of the world's
11 energy supply, it is not going to happen.

12 The pipeline will be built. You are sanctioning friends and allies. And the
13 thing is, even if you could possibly stop it, which you will not, that oil is going to
14 go somewhere. It is going to go China. We are driving Russia into China's
15 hands. Our sanctions really have not worked in general. A lot of them have
16 been ill thought. Even when Corker was here and Corker was walking out the
17 door, someone said, well, have the Russian sanctions even worked, and he said
18 no. Even Corker admitted it. None of them have worked.

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1 You guys really think you are going to -- Russia is going to come on
2 bended knee and say, oh, we are sorry, America, we are going to do everything
3 you tell us now. What should we do, leave Crimea? None of that is ever
4 happening. So, I mean, if you -- if you want war with Russia, let us declare war
5 with Russia and we might militarily go do something, but the sanctions is just a
6 way of prolonging this.

7 And really, it is not that Europe is dependent on it. Europe will be able to
8 get oil and natural gas from many different sources, but you only make economic
9 transactions that benefit both sides. And so I would say, yes, I know we will lose
10 overwhelmingly, but I do want a recorded vote on it. And I also wanted to ask
11 that the letter -- I cannot remember if you ruled on including the letters.

12 **THE CHAIRMAN.** I did. It will be admitted.

13 **SENATOR PAUL.** And then I would ask for a recorded vote.

14 **THE CHAIRMAN.** The vote will be recorded. With that, let us -- I would
15 entertain a motion to adopted the revised Cruz substitute amendment promoted
16 by the sponsors.

17 **SENATOR CRUZ.** So moved.

18 **THE CHAIRMAN.** Senator Cruz. So moved.

1 **SENATOR SHAHEEN.** Second.

2 **THE CHAIRMAN.** Senator Shaheen has seconded. There will be -- did you
3 want a recorded vote just on this --

4 **SENATOR PAUL.** Just on the final -- on the final passage.

5 **THE CHAIRMAN.** Final passage? Okay.

6 All those in favor of the motion, signify by saying aye.

7 [A chorus of ayes.]

8 **THE CHAIRMAN.** Opposed, nay?

9 [No response.]

10 **THE CHAIRMAN.** The ayes have it, and the revised Cruz amendment has
11 been adopted.

12 There are now -- obviously there are amendments. Senator Kaine, what I
13 would respectfully request is that you not pursue that. I think there is -- first of
14 all, I share your passion for NATO and our continuance in NATO. There are
15 some constitutional separation of powers in your proposal that I think will affect
16 badly the bill. And I commit to you that I will work in good faith to get a
17 standalone just as I have with Senator Murphy. I think the sooner we get at it,
18 the better. I think Senator Murphy particularly, his pursuit of the carrot.

1 **SENATOR KAINE.** And, Mr. Chair --

2 **THE CHAIRMAN.** Senator Kaine.

3 **SENATOR KAINE.** So I am fine with not offering -- it is Kaine Amendment
4 1, which essentially is to bring up Senate Joint Resolution 4, which is a bipartisan
5 resolution saying that no President can withdraw from NATO, which is a treaty
6 ratified by the Senate, absent either a two-thirds vote of the Senate or an act of
7 Congress. That is what the bill would do.

8 The President's comments about NATO have raised a really interesting
9 constitutional question, which is the Constitution requires Senate ratification of
10 treaties. The Constitution is silent about how to get out of treaties. It is very
11 clear constitutional law that in the event of an constitutional silence on a matter
12 like that, that Congress can act. And so my bill, S.J.Res.4, which has 12 sponsors,
13 Democrats and Republicans, including members of this committee, would just
14 say that since the Senate ratified the NATO treaty, no President can back of the
15 treaty without either Senate two-thirds vote or an act of Congress.

16 I would be willing to not offer Kaine 1 dealing with the security if I could
17 get a commitment that we would have a markup of my bill when we return from
18 the recess, and obviously in the markup, people could offer amendments. If they

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1 have constitutional concerns and want to do that, we would have the normal
2 amendment process, but I do believe the bill has been pending for a good while.
3 This is the 70th anniversary of NATO. It is a bipartisan bill, and I would like a
4 commitment that it would be marked up in this committee.

5 **THE CHAIRMAN.** We will do that, Senator Kaine.

6 **SENATOR KAINE.** Thank you. I will -- I will then not offer it.

7 **THE CHAIRMAN.** But I would ask that we would continue to work because
8 there are some rough edges that need to be knocked off. There are some
9 constitutional questions here. I am with you. I cannot fathom that Congress
10 cannot act where the Constitution is silent. Certainly we can act. I understand
11 the legal beagles are split as to whether or not a chief executive could get us out
12 when two-thirds of the Congress have gotten us in. That question ought to be
13 resolved I think, and your legislation certainly does that. And the only thing I
14 would say is, again, I hope that we can work in good faith with the staffs to try to
15 get a bill --

16 **SENATOR KAINE.** And, again, as long as I have a commitment that my bill
17 will be brought up for a markup, whether or not we can work it out. If we
18 cannot work it out, I will not get the votes.

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1 **THE CHAIRMAN.** No, I get that.

2 **SENATOR Kaine.** But if we can have the commitment for a markup, I will
3 not offer it as an amendment.

4 **THE CHAIRMAN.** We will do that, and then probably we ought to get a
5 bunch of these together. So we have had a robust debate here today.

6 **SENATOR Kaine.** Right.

7 **THE CHAIRMAN.** I think it has been well layered. Senator Menendez.

8 **SENATOR MENENDEZ.** Mr. Chairman, having made the commitment to
9 Senator Kaine, I would like to call up Menendez Amendment 1. And to avoid
10 reading the full text of the amendment, this is basically the Defending America's
11 Security from Kremlin Aggression bill that Senator Graham, myself, and various
12 members of this committee on both sides of the aisle sponsored.

13 It is a comprehensive piece of legislation that builds upon the efforts that
14 we are trying to pursue as it relates to our defenses as well as those of our allies,
15 and it focuses on Moscow specifically. Before I get to the heart of it, let me just
16 say I respect Senator Paul's thoughtful exposition of some of the issues that we
17 have on sanctions. He has spoken to these issues before.

1 You know, I look at sanctions as one of the handful of peaceful diplomacy
2 tools we have to promote the national interests and security of the United States.
3 I do not think it is an instrument that should be used all of the time. It is not
4 always the best instrument. How it is tailored, as in this case, is incredibly
5 important. But I think that conversation is an important one, and I do think that
6 the conversation of engaging our transatlantic partners, including with carrots, as
7 Senator Murphy's bill with others, does, I think is incredibly important. So I just
8 want to commend that there are things that Senator Paul has stated that I think
9 are worthy of consideration. I am, of course, in support of the legislation.

10 But, look, let us be honest. We had an electronic Pearl Harbor on our
11 country. If the attack that took place upon our democracy, as verified by all of
12 the intelligence agencies of the United States under the previous and this
13 Administration's nominees and appointments, as verified by Bob Mueller in his
14 report, as verified week ago by the FBI director that it continues, if that attack
15 had taken place in any other way, our response would be quick, it would be
16 overwhelming, and I would hope it would be united.

17 But because we are in a new age and because maybe some said, well, the
18 election did not turn out badly from their perspective, it is okay. It is not. It is

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1 not. If Iran, who is now developing these capacities, sees the Trump
2 Administration as a challenge and wants to use the same exact efforts against it,
3 would we be happy? No. And so what has struck me is our inability,
4 unwillingness, paralysis to actually strike back in a way that is the use of
5 peaceful diplomacy tools.

6 So I believe that a bill that is looking directly to sanction Russia via the
7 Nord Stream pipeline is an important opportunity to consider DASKA and other
8 bills. I think that is what happening in Ukraine in terms of continuous -- you
9 know, we do not maybe have it on the front pages, but there is a continuous loss
10 of lives, and continuing Russian intervention. I see what Russia did in the midst
11 of the chemical weapons attack, the Skripal attack last year. I see what he has
12 done with innocent civilians of Syria that continue to be bombed by Russian
13 entities.

14 You know, the Kremlin is emboldened, and it has no reason to let up, and
15 we have not responded to it. So DASKA is an important opportunity to send a
16 message that you cannot attack our country, electronically or otherwise, with
17 impunity at the end of the day. And I believe Senator Cardin wants to speak to
18 this as well.

1 **THE CHAIRMAN.** Senator Cardin.

2 **SENATOR CARDIN.** Thank you, Mr. Chairman. I want to thank Senator
3 Menendez and Senator Graham for this legislation, and I would urge us to take
4 this up and consider it. This is the jurisdiction of this committee, and we have
5 indisputable evidence that Senator Menendez has pointed out about what
6 happened in 2016. It was a direct attack on our election system. We also have
7 information that Russia and other foreign entities may be actively engaged in the
8 2020 elections.

9 Now, what is important about the legislation that Senator Menendez has
10 now brought forward as an amendment to this bill, it spells out very clearly that
11 we prohibit the Russians from getting involved in our -- integrity of our voting
12 systems so we are on record on this. There can be no ambiguity. And there will
13 be consequences if Russia tries to interfere in 2020 in our free election system.

14 We have a responsibility to act. This is the committee of jurisdiction on
15 this issue, and I do not know how many other opportunities we are going to
16 have, but I do think it is important that we speak with a very clear voice. Our
17 effort here, similar to the Nord Stream, is to prevent action. We do not want
18 Russia to interfere in this election. But I must tell you there have been mixed

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1 signals with the meetings that have taken place between the President and Mr.
2 Putin, and I think we have to make it clear that there is no mixed message
3 coming from the United States Congress.

4 So I strongly urge the chairman to allow this legislation to move forward.
5 Let our committee recommend to the full Senate the appropriate preventive
6 actions we have to take before the 2020 elections. Let our committee carry out
7 our responsibility. Hopefully then we will have a chance on the Senate floor.
8 None of us can predict that, but it is important that this committee carry out its
9 constitutional responsibility to protect the integrity of our free election system
10 within the jurisdiction of our committee.

11 **THE CHAIRMAN.** Thank you, Senator Cardin. Look, we are drifting a long,
12 long way from what hopefully is a targeted bill. I think that the requests that
13 have been made here are reasonable requests. I think we need to schedule -- first
14 of all, the staff has got a lot of work to do to try to knock some rough edges off of
15 these. There are competing bills to this particular DASKA bill.

16 But, look, we have had a robust debate here. It is a good debate. I think
17 we should continue it on in a different meeting when we get all of these done.
18 And people are going to have to commit to sit here and work through this just as

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1 we have, but this is the way legislation works and the way it should work. So I
2 will bring DASKA. I will bring the competing bills here.

3 In the meantime, it will -- first of all, by adding yours, Senator Menendez,
4 I think it compromises the bill, probably fatally, as far as going forward, which I
5 know that is not really what any of us want to do here. I want to accommodate
6 Senator Cruz and Senator Shaheen.

7 **SENATOR MENENDEZ.** Mr. Chairman, if I may, I heard you say correctly
8 that you are going to include DASKA in among all the other competing bills in
9 markup. Is that --

10 **THE CHAIRMAN.** That is correct.

11 **SENATOR MENENDEZ.** Well, then based upon that -- I am getting a
12 complex, though, that the chairman continuously refers to legislation that I offer
13 on a bipartisan basis with others as so infectious that it kills any possibility.

14 [Laughter.]

15 **SENATOR MENENDEZ.** I will try to come up with a better vaccine along the
16 way. But based upon the chairman's commitment to at least give us an
17 opportunity to make our case, I will withdraw it because I do not want to see this
18 bill --

1 **SENATOR ROMNEY.** Mr. Chairman?

2 **THE CHAIRMAN.** Senator Romney, did you have an infectious comment?

3 [Laughter.]

4 **SENATOR ROMNEY.** I hope not.

5 **SENATOR CRUZ.** What his brother-in-law's ex-wife does.

6 [Laughter.]

7 **SENATOR ROMNEY.** That was second cousin once removed, but anyway.

8 [Laughter.]

9 **SENATOR ROMNEY.** I just wanted to express my support for the comments
10 made by the ranking member, which is I do feel very strongly that Russia
11 understand that there is consequence for their bad action, and that America is
12 willing to exert all the consequence that is necessary to keep them from carrying
13 out bad action. I recognize that sanctions are of limited capacity in changing
14 people's course, but they happen to be one of the few things we have available to
15 us.

16 We have tariffs. We do not buy a lot from Russia, so tariffs are not going
17 to impact them in a significant way. We have sanctions, and that is what we
18 typically apply. And then of course we have kinetic capability, and we are

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1 certainly not looking for a kinetic response at this stage. But applying the tools
2 we have in the most aggressive way we can is, in my view, essential for us to
3 protect our democratic election process and to have them recognize that bad
4 action comes with a cost.

5 I was very much moved and persuaded by many of the things that
6 Senator Paul mentioned a moment ago with regards to the pipeline. The most
7 powerful argument, in my view, that he made was that the pipeline is going to
8 go ahead anyway, and it will be unfortunate if we go through all that we have
9 described going through and the pipeline gets completed in any event. It is my
10 hope that he is incorrect in that. We will never fully know, but with the hope
11 and the prospect that it will not be completed given the sanctions that have been
12 -- being applied by this legislation, there is a hope that it will not be completed
13 that I decided to vote in favor of it.

14 But sanctions are what we have, and in some cases they will not change
15 people's behavior, but they will have to calculate what the cost will be of doing
16 bad things. And while I do not like applying sanctions to other countries and
17 overplaying our hand in that regard, they are a tool we have which is short of

1 kinetic force. And in protecting our democracy and protecting the democracies
2 of our friends around the world, they are, in my opinion, an appropriate tool.

3 **THE CHAIRMAN.** Thank you, Senator Romney. Senator Gardner.

4 **SENATOR GARDNER.** I apologize, Mr. Chairman, for not being here for the
5 first part of this hearing. We had a markup in the Commerce Committee where
6 we also talked about Russian energy, and we talked about the impact it is having
7 in the United States. We talked about pipeline issues, and we also talked about
8 the fact that Massachusetts receives energy from Russia, oil from Russia, tankers
9 there because of other restrictions and prohibitions on receiving or being able to
10 get energy from the United States. So I completely agree with Senator Cruz's
11 efforts on the pipeline and support the effort, but I also know that we have to do
12 more in the United States to avoid giving dollars back to the same people that we
13 are trying to avoid through the Nord Stream 2 and the pipeline there.

14 Also just adding on election security. Look, we have an election coming
15 up in Taiwan, end of this year, beginning of next year, and we know that China
16 may very well try to interfere with that election, try to influence the outcome of
17 that election. And DASKA, the efforts that we are doing in the DETER Act and
18 others are important as we go forward with this committee to talk about how we

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1 can send the right signal around the globe that we are not going to stand for that
2 and we are going to take, indeed, action against it. Thanks, Mr. Chairman.

3 **THE CHAIRMAN.** Thank you.

4 **SENATOR MERKLEY.** Mr. Chairman?

5 **THE CHAIRMAN.** Yeah, Senator Merkley.

6 **SENATOR MERKLEY.** I just want clarity. Are you making a commitment to
7 put DASKA up on a business agenda?

8 **THE CHAIRMAN.** I will. Again, I think -- I urge all the parties to work
9 together in good faith to try to get it to a point where it is a bill that can become
10 law as opposed to just messaging. And in any event, as we approach the Russia
11 thing, one or two things that drops through the cracks that I wish people would
12 put it back on the list is we have forgotten that Russia invaded and occupies two
13 territories in Georgia. Nobody ever talks about that. And to me, one of the worst
14 ones is them sending the agents to London and poisoning people in London that
15 they do not like, and injuring up to 35 British citizens in the process. I mean, that
16 is just stunning that a country can do that and walk away from it. So, I mean, the
17 list of the sins is long, but there are a couple of others. We should make it a
18 complete list, I think, as we go forward.

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1 So with that, are there any -- anybody want to offer an amendment?

2 [No response.]

3 **THE CHAIRMAN.** If not, we will move to the bill. There has been a roll call
4 vote. The question before the committee is shall the revised Cruz substitute
5 amendment be adopted. The clerk will call the roll.

6 **THE CLERK.** Mr. Rubio?

7 **THE CHAIRMAN.** Yes, this is on final passage. An aye vote will send the
8 bill to the floor. A no vote will hold the bill in committee. So the clerk will call
9 the roll.

10 **THE CLERK.** Mr. Rubio.

11 **THE CHAIRMAN.** Aye by proxy.

12 **THE CLERK.** Mr. Johnson?

13 **SENATOR JOHNSON.** Aye.

14 **THE CLERK.** Mr. Gardner?

15 **SENATOR GARDNER.** Aye.

16 **THE CLERK.** Mr. Romney?

17 **SENATOR ROMNEY.** Aye.

18 **THE CLERK.** Mr. Graham?

1 THE CHAIRMAN. Aye by proxy.

2 THE CLERK. Mr. Isakson?

3 THE CHAIRMAN. Aye by proxy.

4 THE CLERK. Mr. Barrasso?

5 SENATOR BARRASSO. Aye.

6 THE CLERK. Mr. Portman?

7 SENATOR PORTMAN. Aye.

8 THE CLERK. Mr. Paul?

9 SENATOR PAUL. No.

10 THE CLERK. Mr. Young?

11 SENATOR YOUNG. Aye.

12 THE CLERK. Mr. Cruz?

13 SENATOR CRUZ. Aye.

14 THE CLERK. Mr. Menendez?

15 SENATOR MENENDEZ. Aye.

16 THE CLERK. Mr. Cardin?

17 SENATOR CARDIN. Aye.

18 THE CLERK. Mrs. Shaheen?

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1 **SENATOR SHAHEEN.** Aye.

2 **THE CLERK.** Mr. Coons?

3 **SENATOR MENENDEZ.** Aye by proxy.

4 **THE CLERK.** Mr. Udall?

5 **SENATOR MENENDEZ.** No by proxy.

6 **THE CLERK.** Mr. Murphy?

7 **SENATOR MURPHY.** Aye.

8 **THE CLERK.** Mr. Kaine?

9 **SENATOR KAINE.** Aye.

10 **THE CLERK.** Mr. Markey?

11 **SENATOR MENENDEZ.** Aye by proxy.

12 **THE CLERK.** Mr. Merkley?

13 **SENATOR MERKLEY.** Aye.

14 **THE CLERK.** Mr. Booker?

15 **SENATOR MENENDEZ.** Aye by proxy.

16 **THE CLERK.** Mr. Chairman?

17 **THE CHAIRMAN.** The clerk will report. Aye.

18 **THE CLERK.** Mr. Chairman, the ayes are 20; the nays are 2.

U.S. SENATE COMMITTEE ON FOREIGN RELATIONS

Business Meeting

Wednesday, July 31, 2019

1 **THE CHAIRMAN.** The motion has been adopted. That completes the
2 committee's business.

3 I ask unanimous consent that the staff be authorized to make technical and
4 conforming changes.

5 Without objection, it is so ordered.

6 And with that, the committee stands adjourned.

[Whereupon, at 11:25 a.m., the committee was adjourned.]



Mike Sommers
President & Chief Executive Officer
American Petroleum Institute
200 Massachusetts Ave NW
Washington, DC 20001

July 30, 2019

The Honorable James Risch
Chairman, Senate Committee on
Foreign Relations
423 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Robert Menendez
Ranking Member, Senate Committee
on Foreign Relations
444 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Risch and Ranking Member Menendez,

I am writing today to express the American Petroleum Institute's (API) opposition to S.1441/H.R.3206, the Protecting Europe's Energy Security Act. API opposes this legislation as well as additional amendments that have been proposed, including the full bill S. 482, Defending American Security from Kremlin Aggression (DASKA) Act, or sections of the DAKSA bill. API opposes S.1441/H.R. 2306 and S. 482 because these bills:

- Would establish a precedent that could significantly harm American industries operating abroad;
- Could damage the US-EU Trans-Atlantic relationship, because they are not likely to help achieve U.S. foreign policy objectives, while undermining energy security of our important allies in Europe;
- Are unilateral instead of multilateral.

In order to protect American interests, the measures in these bills would greatly benefit from additional review by relevant Congressional Committees, subject matter experts, and American industry stakeholders before they are advanced further in the legislative process.

While the bills and amendments anticipated to be under consideration have good intentions to address ~~malign activity by Russia towards the United States, the targeted project, the Nord-Stream 2 natural gas pipeline, of the underlying bill is nearly completed.~~ This legislation seeks to impose unilateral sanctions that will harm American companies and will not likely change adversarial behavior by Russia. With the U.S. now the world's largest producer of natural gas and with rapidly growing U.S. exports of liquefied natural gas (LNG) to global destinations including Europe, the U.S. already is enhancing EU energy security vis-à-vis Russia.

Similarly, the prospect of adding DASKA to this legislation, whether as a whole bill or by piecemeal amendments, would have especially damaging impacts to multiple American industries beyond natural gas and oil companies such as defense, agriculture industrial equipment, financial services, and consumer goods industries. DASKA is overly broad, targeting a wide range of entities that are not directly connected to Russia's meddling in U.S. elections. Contrary to the bill's intentions, DASKA could benefit Russian economic interests as U.S. energy companies are forced to exit joint ventures, allowing the Russian entity to eliminate or capture its former U.S. partner's share of the project.



American industry stakeholders would appreciate an opportunity to provide further input to your committee and others, as well urge committee collaborations with sanctions subject matter experts to craft calibrated legislation that will more effectively change adversarial nation state behavior without harm to American industries as an unintended and negligent consequence.

API is the national trade association that represents all aspects of America's oil and natural gas industry. Our more than 620 corporate members - from fully integrated major oil and gas companies to independent companies - come from all segments of the industry. These companies are producers, refiners, suppliers, marketers, pipeline operators and marine transporters as well as service and supply companies that support all segments of the industry, and they provide most of our Nation's energy.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Sommers", written in a cursive style.

Mike Sommers
President and CEO
American Petroleum Institute

CC: Members of the Senate Committee on Foreign Relations



Europe is facing a critical era in terms of energy supply security. Europe's own, indigenous gas production is in a sharp decline. It will melt down by nearly half of its current volumes, in bare figures Europe will lose 100 billion cubic meters per annum, and only remain with some 120 billion cubic meters per annum until 2040.

This is the reason why pipeline gas AND more LNG imports will be required to compensate for such decrease. Due to further gas production declines, coal phasing out in European countries and other factors the importance of natural gas will substantially grow.

Today, Europe imports around 1.5 bcm US LNG per month. Further steps to intensify those imports are on its way, LNG supply to Europe is expected to amount to 150 bcm /annum in 2030. Germany has agreed to financially support the construction of LNG terminals in North Germany designated for US LNG. Those responsible for supply security in the individual countries, the local energy companies that have also been strongly engaging with the US, make huge efforts to contract additional volumes of LNG from the US. It should be ensured that these volumes also reach the European markets.

No matter how much LNG is produced and shipped to Europe, it will nowhere near meet the additional volumes required by European households or industries.

It is public information that in 2018, Nord Stream 1 had a utilization level of 100 %, and in addition Russian gas imports via the Ukraine amounted to more than 90 bcm/a. This makes it very obvious that a continued transit through the Ukraine thus ensuring its further energy supply will continue and be paramount for European energy security. Together with the European Union, the countries in which the financial supporters of Nord Stream 2 are domiciled will play a decisive role for a timely agreement on the extension of the Ukrainian transit. Unilateral sanctions against Nord Stream 2 would undermine in particular Germany's efforts to facilitate such extension.

The Nord Stream 2 project is on a far advanced construction stage. Any disruption or delay would cause tremendous sunk costs to European companies, who have strong business ties with the US. Around 650 European companies are directly or indirectly involved, 350 directly. The biggest infrastructure project in Europe employs more than 30000 people for more than 5 years. Around 7 billion EURO of costs have been financed so far. Remaining financing obligations to complete the project could easily be covered by Russia. The intention to do so has clearly been voiced by the Russian Government in September 2018. Overall, the project has been completed with over 85 % (with 70 % of the construction works having been) completed. 100 % of the required pipes have been delivered.

Both potentially targeted pipe lay vessel companies have a huge international portfolio and presence in the US.

Any further sanctions designed to target Russia would in particular harm European companies and potentially further strengthen Russian -Chinese alliance.



Uniper position on Nord Stream 2

30th July 2019

Despite all efforts in Europe to enlarge renewable energy sources in the energy mix and to improve energy efficiency, residential and especially industry customers still need gas in the future for their appliances.

Europe faces a serious gap between supply and demand in the following years, and must look to a variety of gas sources and gas transport routes to fill that gap. Future LNG or additional pipeline gas will not be sufficient to replace Russian gas supply into Europe in the short and midterm. New additional imports of between 100 bcm/y (EU) and 150 bcm/y (Europe) are required to fill the European import gap. We see just limited potential for additional North African gas.

NS2 will not replace existing pipeline routes and will not displace Ukraine. Even if Nord Stream 2 operates at full capacity, there will be still a major market for more gas, including gas shipped through the Ukrainian corridor, the Yamal pipeline, and via LNG imports. Relying solely on existing routes, would not be wise, because Ukraine has aging pipelines that it has not properly maintained.

For Uniper, NS2 is a commercial project. The decision to invest is based on economic and business considerations in the light of the necessity to diversify gas supplies, not geopolitics. NS2 will offer an additional, competitive transport option for bringing gas to major demand centers within the EU market, supplementing the existing supply routes and lowering the price for natural gas across Europe, not eliminating other options such as LNG.

The purchase of US LNG through Europe will make an important contribution to covering the growing import gap in Europe. Uniper is strongly committed to building additional bridges between the U.S. and Europe / Germany, which will serve a significant expansion of deliveries of U.S. LNG into our gas markets. We will for example start with our first US-LNG deliveries to Europe / Germany at the end of this year. In addition, Uniper is currently planning the construction of the first German LNG terminal. The terminal will help to facilitate market access for US LNG in Germany. We have already signed a preliminary agreement with Exxon to use the terminal. We are currently in intensive talks with other US companies.

US LNG can play a greater role in European gas supply security. In order to develop and to keep a constructive win-win-situation on all sides, the US must not carry out their political conflicts with Russia on the back of European allies and the European Energy Industry. Sanctions between transatlantic partners are forbidden per se from our point of view. Any US sanctions against Nord Stream 2 represent a systemic risk to the security of natural gas supplies in Europe.



Allseas USA, Inc.

Attn. Senator R. Paul
5167 Russell Senate Office Building
Washington DC, 20510
United States of America

333 N. Sam Houston Pkwy E.
Suite 950
77060 Houston, Texas
United States of America

30 July 2019

Telephone: +1 281 999 3330
Telefax: +1 281 999 6363
www.allseas.com

Subject: Implications of Bill S.1441 on strategic oil and gas developments for the United States of America

Dear Senator Paul,

With reference to Bill S.1441, otherwise known as the "Protecting Europe's Energy Security Act of 2019", we feel it is our obligation to notify you of the implications of B S.1441 to oil and gas developments strategic to the United States of America as well as to Allseas USA, Inc.

The significance of Allseas to the US oil and gas industry

Allseas, a Swiss company with a US affiliate, is a world-renowned contractor in offshore pipeline installation, heavy lifting and subsea construction. We operate a fleet of specialized heavy-lift and pipelay vessels, designed and developed in-house. Our vessels have for decades repeatedly redefined the benchmarks of what is technically achievable in offshore construction. We were the first and most prominent contractor to install heavy steel pipelines in deep water in the Gulf of Mexico, and played an instrumental role in US deep water oil and gas developments.

In the Gulf of Mexico alone, we have installed over 4,100 miles of subsea pipelines. Allseas has also recently installed a very large 450-mile gas pipeline, serving to export US gas to Mexico, which we believe enhances the partnership that has recently been developed between the two countries under the USMCA agreement.

Allseas provides the technology that allows energy export to take place and is an important contender for a number of major future deep water projects as well as numerous oil export terminals under development in Texas. Lastly, Allseas has the capacity to install and dismantle large offshore platforms.

Impact of "Protecting Europe's Energy Security Act of 2019"

Allseas operates globally and works anywhere it is legally allowed to do so, in full compliance of the applicable laws and regulations. Allseas was awarded the contract for the Nord Stream 2 pipelines in April 2017.

The implementation of Bill S.1441 could hamper the future developments of major oil and gas projects and oil export terminals in the Gulf of Mexico. Allseas believes the completion of the Nord Stream 2 pipeline is inevitable, executed by other parties, and resulting in severe financial consequences to Allseas. We ask that you challenge the bill in observance of the interests of the state of Texas and the United States of America. We firmly believe Allseas' ongoing competitiveness and technology will enable future US projects to move forward.

Allseas Group S.A. Vice President Pieter Heerema is available to address any questions, at your convenience.

Yours faithfully,

F.A. Kluwen
Director

Appendix: "Overview of major US projects"

Pertaining to our experience record in the United States of America, we highlight the following Gulf of Mexico projects because of their technical significance and breakthrough for the United States of America and the worldwide oil and gas industry, below provides a list of a few salient ones.

- 1996 – Shell Mensa project: First export pipeline in a water depth of one mile.
- 1997 – Shell Manta Ray: First steel catenary riser (SCR) to the Bullwinkle platform.
- 1998 – Shell Ursa: Installation of the worlds' largest diameter SCR to date.
- 1999 – Exxon Diana: Installation of export pipeline systems from shallow to ultra-deep water.
- 2002 – Vastar Horn Mountain and Shell Nakika projects: Extending water depth limits for the installation of heavy export pipeline systems. Shell Nakika had the world's largest-diameter deep water export pipeline installed to date to the US Gulf coast for refinement of oil and gas products.
- 2006 – Independence Trail and Atwater Valley: Installation of record-size export pipeline and flowline systems in ultra-deep water (7,820 ft. water depth for the 24-inch diameter export pipeline and 8,960 ft. water depth for 10-inch and 12-inch diameter flowlines). Allseas upgraded the installation capacity of her then largest pipelay vessel "Solitaire" from 580 to 1,160 short tons specifically to be able to execute this project. The export pipelines served to route oil and gas products to the US Gulf coast for refinement.
- 2008 – Williams Perdido Norte: installation of 18-inch export pipelines in a water depth of 8,300 ft. to Texas for the refinement of oil and gas products.
- 2018 – Enbridge Valley Crossing and TransCanada Sur de Texas: Installation of a 42-inch diameter pipeline and the pipeline for gas export from the US to Mexico.
- 2018 – Shell Appomattox: Installation of deep water export pipelines to the US Gulf coast for refinement of oil and gas products.

As of 2019, Allseas is actively pursuing/tendering several major capital projects and oil export terminals in the United States of America.



Pierre Chareyre
Directeur Général Adjoint

The Honorable Rand Paul
United States Senate
Washington, DC 20510

Paris, 30 July 2019

Dear Senator Paul,

We thank you for your support to avoid any U.S. sanctions against contractors and financial investors of the Nord Stream 2 project, especially in the recent discussions on S. 1441 "Protecting Europe's Security Act". We indeed think such measure would be highly inappropriate:

- U.S. sanctions shall seek to protect the interests of allied countries as it could have negative effects on the cohesion of Western allies in dealing with Russia, as well as on Europe's strategic energy interests through its possible extraterritorial impact on European companies, such as ENGIE.
- The Nord Stream 2 project has a very strong business case and is fully justified from an economic point of view to foster free competition on the European gas market. Engie is supplying nearly 10% of the European gas market from very different origins and we believe that free markets and rule of law are both crucial for well-functioning markets. Potential unilateral US sanctions of any kind on the project would be interpreted as an intervention of the United States to secure its LNG to Europe at the detriment of its main competitors.
- Because of the political escalation US sanctions would create, we fear that the likely damage of this legislation would extend beyond this particular project to the larger European natural gas market. European energy consumers could rightly conclude that relying on natural gas as a fuel supply, not just Russian supplied natural gas, but any source of natural gas, is burdened with high risks of political intervention. Consequently, the overall market for natural gas in Europe, including that supplied by US LNG, would be diminished in favor of other sources of energy.

The ENGIE Group is developing worldwide high-performance, innovative solutions for personal customers, urban authorities and companies by applying its expertise in four key sectors: natural and renewable gas, renewable electricity, energy efficiency and digital technologies.

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92930 Paris La Défense Cedex, France
T +33 (1) 44 22 00 00

ENGIE : SA au capital de 2 435 285 011 euros
RCS Nanterre 542 107 651
Siège Social : 1, place Samuel de Champlain, 92400 Courbevoie - France



In the United States, we have a wide range of businesses including clean power generation (via wind, solar, biomass/biogas, and natural gas), energy storage, retail energy supply, and services that help customers optimize their energy and other resource use and expense. ENGIE does business in all 50 states, with diversified operations in New England, New York, Texas, and California. ENGIE employs approximately 7,000 employees in the United States.

ENGIE generated approximately \$4 billion in revenues in 2018 and invested approximately \$3.3 billion over the last five years in the United States, namely in new wind and solar projects as well as the acquisition of several mechanical, electrical, and other contracting businesses.

The significant investments of ENGIE in the US and our strong willingness to grow are made possible by the same key values we are sharing, notably freedom of entrepreneurship and markets.

Therefore, we hope that the Senate will be wise enough not to proceed with new bills targeting economic projects such as Nord Stream 2.

Respectfully,

A handwritten signature in black ink, appearing to read "P. Chareyre", written over a horizontal line.

Pierre Chareyre



Embassy
of the Federal Republic of Germany
Washington

The Honorable
Rand Paul
United States Senate
167 Russell Senate Office Building
Washington, DC 20510

Emily Haber

Ambassador of the Federal Republic of Germany

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@GermanAmbUSA
www.germany.info

Washington, March 4, 2019

Dear Senator Paul,

The EU member states, the European Parliament, and the European Commission voted by a large majority to amend the Directive concerning common rules for the internal market in natural gas. This measure modifies the legal requirements for new import pipelines such as Nord Stream 2.

The United States has repeatedly pointed out the need for a common European position. This has now been achieved. Going forward, Nord Stream 2 will be fully subject to the new EU legal framework.

I wish to emphasize that all of the countries expressing critical views of Nord Stream 2 have given their consent to the new Directive. Germany and France facilitated the agreement by making significant concessions. The Nord Stream 2 consortium will now have to confront the new legal situation. Any additional steps taken by the U.S. against the project would be counterproductive and undermine the European agreement reached on this difficult issue involving energy security policy.

For many years, the German Government has worked to strengthen natural gas supply security throughout Europe, as well as to diversify its supply sources – be it via the Southern Gas Corridor from Azerbaijan or a future Trans-Caspian pipeline and the gas fields of the Eastern Mediterranean in Cyprus, Israel, and Egypt. In recent years, the EU has made tremendous progress toward establishing pipeline links with former Eastern bloc countries and states that were members of the Soviet Union, giving them access to the natural gas market of Western Europe and thereby breaking up Russian gas monopolies.

For Germany and wider Europe, liquefied natural gas, or LNG, will play an increasingly important role in these efforts. On February 12, 2019, a German-American LNG Conference was held in Berlin that highlighted the great potential for U.S. LNG exports, thanks to your country's newly completed export terminals. Our Government is prepared to help fund the construction of LNG import terminals in Germany.

The German Government remains committed to maintaining a substantial level of natural gas transit through Ukraine, and it will continue to support the mediation efforts of the European Commission. The first meeting in this regard was held in Berlin in June 2018 at the invitation of the German Government.

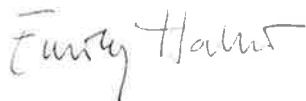
We are concerned that Congress is currently considering imposing additional energy sanctions on Russia. Such sanctions could also affect Europe's energy security. Having an inexpensive and reliable natural gas supply is key to Germany and Europe's economy and prosperity. For this, we need both LNG and Russian pipeline gas.

I am also worried by reports that the planned LNG terminal in Rostock could be captured by DASKA sanctions due to a minority stake being held by the Russian firm NOVATEK. In my view, this could impair the acceptance of LNG imports in Germany and significantly impede the development of LNG import capacity.

Consequently, our countries should liaise closely when it comes to designing energy sanctions that may be imposed on Russia, and we are open to cooperation in this regard, as well as on all other U.S. congressional deliberations with respect to Russia. Good coordination between Europe and the U.S. is key to responding effectively to the challenges with which Russia confronts us.

My staff will gladly provide you with any further information you may require on the issues that are addressed above.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Eusebio Hahn".



**U.S.-Russia
Business
Council**

July 22, 2019

The Honorable James E. Risch
United States Senate
483 Russell Senate Office Building
Washington, DC 20510-1206

Dear Senator Risch,

The National Foreign Trade Council and the U.S.-Russia Business Council oppose S. 1441 and H.R. 3206. The legislation would mandate unilateral U.S. sanctions on entities currently engaged in the completion of Nordstream 2, the undersea pipeline that will provide an additional route for the export of natural gas to Germany and its neighbors. The sponsors of the bill assert that Nordstream 2 will enable Russia to bypass existing export through the Ukrainian pipeline system and subject European countries to energy blackmail. Market realities argue that such concerns are misplaced.

Thanks to the shale revolution, the U.S. is the world's number one producer of natural gas, currently number three exporter of liquefied natural gas (LNG), and, given projects announced and under consideration, is on track to be the number 1 exporter in several years. Concurrently, EU natural gas demand growth is second only to Asia's – driven strategically as a cost-effective, economically-feasible response to climate change. And Europe is expanding its ability to import natural gas through new LNG terminals, broadening its optionality and thereby strengthening its energy security.

Unsurprisingly, formerly distinct natural gas markets -- segmented and dominated by long term, fixed price contracting – are being transformed into a globally fungible market as is the case with oil. Unsurprisingly, U.S. exports of LNG to EU countries have increased exponentially, as they have to Asia.

While EU member countries have taken different views of Nordstream 2, they have unanimously adopted EU regulation – the Third Energy Package – to promote multi-source natural gas supply and intra-EU connectivity. Notably, H.R. 1616, the European Energy Security and Diversification Act, which passed the House in March, would align U.S. policy and government-to-government support with the Package. Unilateral sanctions will hurt U.S. gas exporters by causing European importers to reduce their future imports of U.S. LNG in favor of LNG supplies from other countries.

An estimated 80 percent of Russia's gas exports are to the EU. Empirically, the notion of supplier power to blackmail – rather than purchaser power to negotiate price – appears out of step with today's energy market realities. Moreover, even when Nordstream 2 is operational (the project is over 80 percent complete), Russia will still need to secure significant Ukrainian pipeline capacity, given EU demand-pull

and the current position of key EU member states.

In sum, market realities, revenue imperatives, and timing negate the ostensible *raison d'être* for the U.S. to sanction Nordstream 2 unilaterally.

Passage of the legislation will further damage the trans-Atlantic relationship. To date, with one notable exception, the expanded sanctions directed at Russia for malign activities have been multilateral – closely coordinated between the U.S. and Europe. It is strategically counterproductive for the United States to alienate allies and risk trans-Atlantic cooperation on vital foreign policy objectives by attempting to proscribe, unilaterally, a commercially-negotiated project like Nordstream 2. Unilateral sanctions on U.S. allies and partners in Europe will likely have the unintended consequence of a breakdown of multilateral sanctions, which already face opposition in several countries.

For these reasons, the NFTC and USRBC oppose enactment of H.R. 3206 and S. 1441 and support enactment of H.R. 1616.

Thank you for the opportunity to present our concerns. If you have any questions regarding this letter, please contact Richard Sawaya of the NFTC, at (202) 887-0278.

Sincerely,

Richard N. Sawaya
Vice President
National Foreign Trade Council

Randi Levinas
Executive Vice President
U.S. Russia Business Council