

## **Status on the Baltic Pipe project**

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### **Background and the current situation**

The Baltic Pipe natural gas pipeline project has since May 2020 had the necessary permits on land and at sea in both Denmark, Sweden and Poland in order to proceed with the project.

According to the management of the project – Energinet in Denmark and Gaz-Systems in Poland - major construction work is ongoing onshore and will proceed shortly offshore as well.

The contract for the work of laying the gas pipeline on the Baltic seabed has been awarded on 30 April 2020. According to the schedule, the first construction work will begin in the second half of 2020, including preparation of construction sites at the landings in Poland and Denmark as well as construction of the so-called micro tunnels.

Micro tunnelling is carried out by drilling of the tunnel, i.e. no digging. The method is used to protect the near shore environment and the beaches and to take account of technical issues such as the pipeline diameter and geotechnical conditions. As the drilling by the tunnel bore is carried out, sections of concrete tubes are pushed into the opening to create a permanent tunnel house. The method is also called “pipe jacking”.

### **Offshore work**

It is also expected that activities at sea will begin in the second half of 2020. This includes the launch of route studies before pipe laying and vessels preparing the seabed for the installation of the pipelines to be mobilized in the Baltic Sea in the first half of 2021.

The actual pipe laying will start in the summer of 2021, and according to the project leadership, the gas pipeline will be put into operation in October 2022.

### **Civil and political pressures, and legal basis**

Still, the project faces some resistance from civics groups in Denmark, and most recently the Danish Minister for Climate, Energy and Supplies, was asked in Parliament whether it will be possible to cancel the project.

The Minister stated in his written answer that the developers/owners have the right to establish the Baltic Pipe infrastructure with the permits they have already been granted, provided that the conditions of the permits are complied with. In general, the Minister underlines, permits can only be revoked if the permit has been granted on the basis of incorrect information provided by the permit holders.

The permits for the Baltic Pipe project on land and at sea have been granted in accordance with a number of Acts and orders:

- The Environmental Impact Assessment Act - Act on environmental assessment of plans and programs and of specific projects (EIA), Statutory Act No. 1225 of 25 October 2018.
- The Continental Shelf Act - § 3 a and § 4 in Statutory Act No. 1189 of 21 September 2018, as well as § 2 in Executive Order no. 1520 of 15 December 2017 on certain pipeline installations on the territorial sea and on the continental shelf.

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- The Act on Energinet - § 4 of the Act, cf. Statutory Act No. 118 of 6 February 2020.
- The Natural Gas Supply Act - Section 13 of the Act, cf. Statutory Act No. 126 of 6 February 2020.

It is this regulatory basis that regulates the procedures regarding the operation of the permits. The socio-economic consequences for the project are described in the business case of February 2018, which can be accessed below (the business case report is only available in Danish):

<https://energinet.dk/Anlaeg-og-projekter/Business-cases/Business-case-Baltic-Pipe>

According to the Minister, the socio-economic consequences will be significantly affected, and Energinet expects that it will suffer a loss of at least DKK 6.5 billion if the project is stopped at this point in time.

In addition, according to the Minister, foreign policy consequences and consequences for Denmark's reputation, including the reputation of Energinet as a credible project partner in the development of future cross-border energy infrastructure, must be foreseen if the project were to be discontinued.

However, in separate communication the Minister has brought forward a Bill in the Danish parliament which – on the one hand - is aimed at strengthening the political control with major project investments in Energinet, and – on the other hand – will allow Energinet to make for-profit investments.

## Conclusion

The Baltic Pipe project is one of the largest infrastructure projects in Denmark and the North Sea and Baltic Sea areas, currently only surpassed by the Tyra redevelopment project in the North Sea.

Decision makers in Denmark and the other project countries consider the project justified from an industrial, energy supply and also climate perspective, and the project operators Energinet and Gaz-System are expected to proceed with the project according to plans.

Hence, despite scepticism on the ground in Denmark, including from activist groups as well as affected land owners and citizens, the project is poised to continue and to be completed for final commissioning and operation in October 2022.

WSCO law firm will continue to monitor and report on the development of the project.

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For questions or comments to this newsletter or energy and offshore in general, please contact Bo Sandroos on +45 4088 5422 or [bos@wsco.dk](mailto:bos@wsco.dk).

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